WELLS FARGO

Culture counts.

An unwavering focus on the customer.

WELLS FARGO

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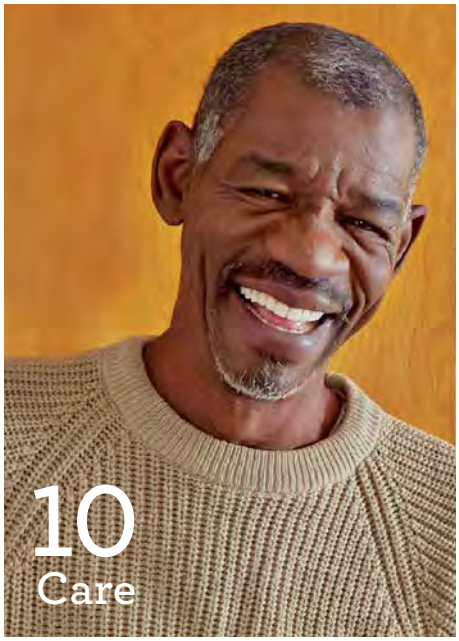
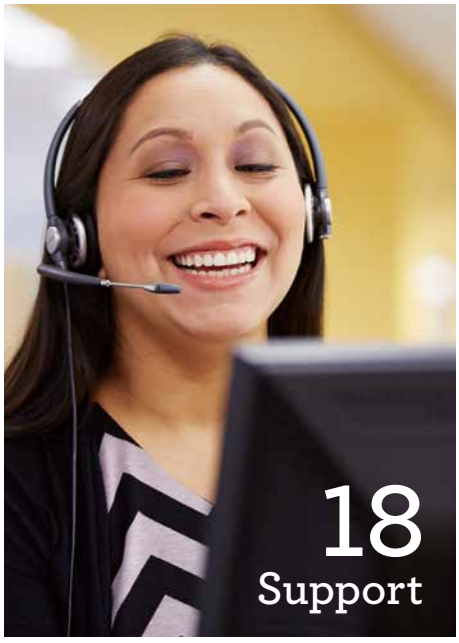
Culture counts.

Relationships. Teamwork. Values. At Wells Fargo, we are about building lifelong relationships one customer at a time. We work hard for each and every customer because we care about their financial success and want to be with them every step of the way. We have been around for a long time and we will be there for our customers for many years to come. And we know that who we are is as important as what we do. Because at Wells Fargo, culture counts.





On the cover: **Frank Guzman with Wells Fargo's Trena Small** | Pearland, Texas

Trust

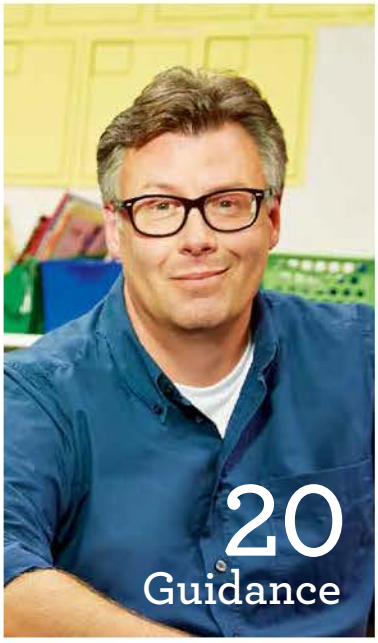
After several failed attempts, long-time trucker Frank Guzman resolved to start his own hauling business last year—this time fueled by financing and guidance from Wells Fargo. And that has made all the difference.

"I've worked and driven for many companies in my life," he said. "But it's clear that for me, being an owner-operator is more rewarding."

Frank secured a Wells Fargo *Equipment Express*® loan to help buy his rig. He also received guidance from small business bankers on managing his startup company's finances. The Houston-area entrepreneur then landed a client in the energy sector.

"It's the team approach that makes all of this work," said Frank, whose fiancée, Chrisy Guillory, is his business partner and financial officer. Frank credits Wells Fargo for helping him with financing and money-management advice. "Wells Fargo has been there to help every step along the way," he said.

"All of this started when he came in one day and spoke with our business lending specialist," said Trena Small, manager of the Wells Fargo store in Pearland, Texas, where Frank banks. "We helped him create a business plan—something that helps a lot of customers grow their business. And it has helped him tremendously."



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John G. Stumpf
Chairman, President and Chief Executive Officer, Wells Fargo & Company
Pictured in the Wells Fargo History Museum in San Francisco.

To Our Owners,

I have always believed that culture is the most important part of a company's success. It is the heart of any organization and a significant contributor to long-term performance and stability.

This is certainly true for Wells Fargo. Since 1852, culture has been a focus of ours, beginning with how we served the Gold Rush-era customers who trusted us to transport their money and valuables on our stagecoaches. In those early days, we held a belief that still holds true today: "Our merchandise is courtesy, willingness, and human ability."

Today, I sum up Wells Fargo's culture with this word: "Relationships." It captures the passion we all share for serving our key stakeholders—customers, communities, investors, and team members. To earn their trust, we strive to do the right thing and act under the highest ethical standards where honesty, trust, and integrity matter.

Cultures take years to establish and mature, a lesson I learned while growing up on a family farm in a small town in central Minnesota. Those years taught me that the best harvests come only after years of thoughtful planning, planting, and nurturing. It's no different at Wells Fargo. The culture our people enjoy today is the result of those who served before us—through a civil war, two world wars, the Great Depression, and a Great Recession that remains fresh in our memories. Through every boom and bust, our people looked ahead, with a vision of the Wells Fargo they wanted to leave for their successors.

No document better captures that spirit than *The Vision & Values of Wells Fargo*, a booklet we first published 20 years ago that outlines our values, strategies, and goals. (You can read our *Vision & Values* on wellsfargo.com under "About Wells Fargo.")

While we periodically have updated that document, the vision it first shared years ago remains unchanged: "We want to satisfy all our customers' financial needs and help them succeed financially."

The *reason* our team members go to work each day is to help customers—we serve 70 million customers and one in three U.S. households across our more than 90 businesses. The *result* is that Wells Fargo makes money, not the other way around. Or, as our *Vision & Values* puts it, "We'll never put the stagecoach ahead of the horses." This is why we believe culture and performance go hand in hand.

Financial results

In 2014, Wells Fargo generated record earnings for a sixth consecutive year, remaining the most profitable bank in the United States. We also ended 2014 as the world's most valuable bank by market capitalization.

Our 2014 net income was $23.1 billion, up 5 percent from 2013. Diluted earnings per common share also rose 5 percent to $4.10. Our 2014 revenue of $84.3 billion was a balanced mix of net interest income and noninterest income, reflecting the strength of our diversified business model.

We generated this growth through a focus on customers, as more of them entrusted us with their deposits and rewarded us with opportunities to serve more of their financial needs. In 2014, our total deposits reached a record $1.2 trillion, up 8 percent from the prior year, driven by both consumer and commercial growth. Meanwhile, total loans finished 2014 at $862.6 billion, up 5 percent from 2013. Loan growth occurred across multiple portfolios, including commercial loans, residential mortgages, credit cards, and automobile lending, helping increase our net interest income by 2 percent from 2013. Our noninterest income continued to be diversified and strong, including growth in trust and investment fees, card fees, and mortgage servicing.

Our results also reflected our commitment to protect the interests of our stakeholders. For example, in 2014 the credit quality of our loans was the best I can recall in my 33 years at the company. Credit losses fell to $2.9 billion, a 35 percent improvement over $4.5 billion in 2013. Net charge-offs as a percentage of average loans remained near historic lows—0.35 percent in 2014, compared with 0.56 percent in 2013.

Wells Fargo is one of the most valuable companies in the world

By market value as of Dec. 31, 2014 (in billions)

Apple	$ 647
ExxonMobil	391
Microsoft	383
Berkshire Hathaway	371
Google	358
PetroChina (China)	305
Johnson & Johnson	293
Wells Fargo	**283**
Walmart	277
ICBC (China)	271

U.S. companies except where stated
Source: Bloomberg

Our capital also grew, remaining well above regulatory minimum levels. At the end of 2014, our Common Equity Tier 1 capital was $137.1 billion, resulting in a Common Equity Tier 1 capital ratio of 11.04 percent under Basel III (General Approach). Under Basel III (Advanced Approach, fully phased-in), our 2014 estimated Common Equity Tier 1 capital ratio was 10.43 percent.[1]

In 2014, our shareholders continued to see strong returns. Full-year return on assets was 1.45 percent, and full-year return on equity was 13.41 percent, well within our target performance ranges. We returned $12.5 billion to our shareholders through dividends and net share repurchases. We increased the quarterly dividend rate by 17 percent to 35 cents per share, and we purchased 87 million shares of our common stock on a net basis. During the year, shareholders also saw the price of our common stock rise 21 percent.

Because we believe culture influences performance, Wells Fargo counts among its 2014 accomplishments some notable recognition: "Most Respected Bank" by *Barron's* magazine, "Most Admired" among the world's largest banks by *Fortune* magazine, "Best U.S. Bank" by *The Banker* magazine, and "Most Valuable Bank Brand" by Brand Finance,® a global brand valuation company. However, just as we think about profits, the accolades would ring hollow if we didn't believe they were the result of doing what's right for our customers.

Customers

Our passion for helping customers motivates our team members. It gratifies us when we hear how our banking and financial services improve lives and transform businesses. For even as we increasingly serve tens of millions of customers through digital and mobile means, our business is still about people helping people.

Some call this a "Main Street" focus. We also call it helping individuals and businesses in the "real economy." From checking accounts and debit cards to savings products to treasury management services, we help customers manage their daily financial lives. We help families buy that first home or new car. We provide funding to businesses, small and large, to expand and hire. We help our customers plan and save for retirement. So convinced are we that this is Wells Fargo's core purpose that in 2014 we began sharing stories of how we serve customers and communities through "Wells Fargo Stories," a new online journal located at wellsfargo.com/stories.

One story that especially touched us involved Sam and Kerri Taylor of Ocean Springs, Mississippi. Before the recession, the family built a dream home. But when illness caused Kerri to cut back on her work, the family's income fell, and financial challenges followed.

Fortunately, we were able to modify the Taylors' mortgage—one of more than 1 million mortgage modifications we have completed since 2009—to help them avoid foreclosure. Sadly, there are times when families simply can't afford to remain in their current home, but our mortgage servicing team works extremely hard to help our customers find solutions to sustain homeownership. Over the past six years, Wells Fargo has been able to work with families like the Taylors to forgive more than $8.4 billion of mortgage principal.

"All I can say is WOW," Sam Taylor told us. "Angela [Ludwig, a Wells Fargo Home Mortgage specialist] not only helped us get approved for the modification and keep our home, she displayed the most professional and courteous attitude I've ever seen."

We also hear "wows" from our business customers. In 2014, Wells Fargo extended $18 billion in new loan commitments to small businesses. Additionally, for the 12th consecutive year, we were the nation's largest small business lender in dollars, based on Community Reinvestment Act government data (2002–2013; 2014 data will be released later in 2015). Last year, we also launched Wells Fargo Works for Small Business,℠ a broad initiative to deliver resources, guidance, and services to small businesses, including a goal to extend $100 billion in new loans by the end of 2018.

We're proud to lend to entrepreneurs like David Dorrough of Boise, Idaho. Our relationship with David began not long after he became frustrated with the quality of commercially available stud finders when installing bookshelves at his home. David put his electrical engineering skills to work to create a more accurate

1 *For more information regarding our regulatory capital and related ratios, please see the "Financial Review—Capital Management" section in this Report.*

stud finder, and Franklin Sensors was born. Working out of his home and paying out-of-pocket to build inventory were financially difficult for David's small startup company. Enter Wells Fargo banker Flip Kleffner, who helped David with a Small Business Administration revolving line of credit. Five years later, David's company employs 45 people in his community and sells its products in the U.S. and overseas.

Sometimes the small businesses we serve become larger companies. Consider Vermeer Corporation, a 66-year-old agricultural and industrial equipment company based in Iowa that started with a single product. Wells Fargo Commercial Banking Relationship Manager Mark Conway has worked with Vermeer for 25 years, helping this family-owned business as it has grown into a global business that now makes 150 models of various products and employs 3,000 people (see page 16).

Our Wholesale Banking business helps companies like Vermeer with their global needs — we operate in 36 countries — through services such as foreign exchange, treasury management, asset-based lending, and investment banking. We have grown our Wholesale Banking business as our customers' needs have increased. We are the No. 1 lender to middle-market companies, the largest commercial real estate lender, and one of the top providers of syndicated loans.

Our passion for helping customers motivates our team members. It gratifies us when we hear how our banking and financial services improve lives and transform businesses.

Team members

Our biggest competitive advantage is our team. This is why we refer to our people as "team members," not "employees." We believe our 265,000 team members are resources to be invested in, not expenses to be managed. We offer competitive salaries and benefits to ensure we attract and retain the best talent. For eligible team members, this includes affordable healthcare options, 401(k) matching contributions, tuition reimbursements, matches for education-related charitable donations, adoption reimbursements, work-life balance programs, scholarship programs for team members' children, and a discretionary profit sharing plan. We also train and develop our talent. Last year, Wells Fargo team members completed more than 7.5 million training courses. On the stagecoach, we build careers.

Each year we survey our team members to understand what engages them at work. The more engaged our team members are, the more connected they are to our culture and our vision and values. In 2014, overall team member engagement measured 4.22 out of a possible 5, topping the prior year's record of 4.16. Wells Fargo is a "Gallup Great Workplace Award" winner, a distinction that the Gallup organization, which conducts our survey, reserves for the world's most engaged and productive companies.

Our people also value teamwork. They expect to work together across our businesses — as "One Wells Fargo" — as we help customers achieve financial success. Or, to quote our *Vision & Values*: "Our relationships with our customers are only as strong as our relationships with each other."

This is why I like to say that our culture is about plural pronouns — we, us, and ours — instead of I, me, and mine. The star of the team *is* the team, because how the work gets done is just as important as getting the work done.

Team members like Keith Shealy set the example. A Wells Fargo financial advisor in South Carolina, Keith recently advised a customer who owns a 60-year-old family business. Keith understood the customer had commercial banking needs, so he enlisted the help of Mike Farmer, a banker from our Wholesale Banking business. Keith also tapped Wendy Brewer in Wealth Management for help because the customer wanted guidance in succession planning for his family and company co-owners.

Without such teamwork, our customer might have had to deal with multiple financial services companies for his personal and commercial needs. That would have been unfortunate for him and a missed opportunity for us. Indeed, it's only through such teamwork that we can hope to live up to a key goal expressed in our *Vision & Values*: "We want to be the first provider our customers think of when they need their next financial product."

Communities

In addition to serving customers, our team members serve the communities where they live and work. In 2014, Wells Fargo team members contributed $97.7 million of their own money to schools, charities, religious organizations, and other nonprofits. That's up nearly 10 percent from 2013 and marks the 12th consecutive year-over-year increase in team member donations. United Way Worldwide has recognized Wells Fargo for having the nation's No. 1 United Way campaign for six consecutive years (2009 – 2014), an accomplishment I am especially proud of because Wells Fargo ranked 29th on the 2014 Fortune 500 list of America's largest corporations.

Team members also volunteer their time — 1.74 million hours in 2014 — for activities such as tutoring students, serving food to the homeless, building homes with Habitat for Humanity, and serving on nonprofit boards.

Our Performance

$ in millions, except per share amounts	2014	2013	% Change
FOR THE YEAR			
Wells Fargo net income	**$ 23,057**	21,878	5
Wells Fargo net income applicable to common stock	**21,821**	20,889	4
Diluted earnings per common share	**4.10**	3.89	5
Profitability ratios:			
Wells Fargo net income to average total assets (ROA) [1]	**1.45%**	1.51	(4)
Wells Fargo net income applicable to common stock to average Wells Fargo common stockholders' equity (ROE)	**13.41**	13.87	(3)
Efficiency ratio [2]	**58.1**	58.3	–
Total revenue	**$ 84,347**	83,780	1
Pre-tax pre-provision profit [3]	**35,310**	34,938	1
Dividends declared per common share	**1.35**	1.15	17
Average common shares outstanding	**5,237.2**	5,287.3	(1)
Diluted average common shares outstanding	**5,324.4**	5,371.2	(1)
Average loans [1]	**$ 834,432**	802,670	4
Average assets [1]	**1,593,349**	1,445,983	10
Average core deposits [4]	**1,003,631**	942,120	7
Average retail core deposits [5]	**701,829**	669,657	5
Net interest margin [1]	**3.11%**	3.40	(9)
AT YEAR-END			
Investment securities	**$ 312,925**	264,353	18
Loans [1]	**862,551**	822,286	5
Allowance for loan losses	**12,319**	14,502	(15)
Goodwill	**25,705**	25,637	–
Assets [1]	**1,687,155**	1,523,502	11
Core deposits [4]	**1,054,348**	980,063	8
Wells Fargo stockholders' equity	**184,394**	170,142	8
Total equity	**185,262**	171,008	8
Tier 1 capital [6]	**154,666**	140,735	10
Total capital [6]	**192,940**	176,177	10
Capital ratios:			
Total equity to assets [1]	**10.98%**	11.22	(2)
Risk-based capital: [6]			
Tier 1 capital	**12.45**	12.33	1
Total capital	**15.53**	15.43	1
Tier 1 leverage [6]	**9.45**	9.60	(2)
Common Equity Tier 1 [7]	**11.04**	10.82	2
Common shares outstanding	**5,170.3**	5,257.2	(2)
Book value per common share	**$ 32.19**	29.48	9
Team members (active, full-time equivalent)	**264,500**	264,900	–

1 Financial information for 2013 was revised to reflect our determination that certain factoring arrangements did not qualify as loans. See Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report for more information.

2 The efficiency ratio is noninterest expense divided by total revenue (net interest income and noninterest income).

3 Pre-tax pre-provision profit (PTPP) is total revenue less noninterest expense. Management believes that PTPP is a useful financial measure because it enables investors and others to assess the Company's ability to generate capital to cover credit losses through a credit cycle.

4 Core deposits are noninterest-bearing deposits, interest-bearing checking, savings certificates, certain market rate and other savings, and certain foreign deposits (Eurodollar sweep balances).

5 Retail core deposits are total core deposits excluding Wholesale Banking core deposits and retail mortgage escrow deposits.

6 See Note 26 (Regulatory and Agency Capital Requirements) to Financial Statements in this Report for additional information.

7 See the "Financial Review – Capital Management" section in this Report for additional information.

Our team members understand their efforts can add up in big ways, which is why we say the spirit of our philanthropy and volunteerism is summed up best by a "Small is Huge" mindset that believes no opportunity is too small to make a difference in an individual's or community's future.

Wells Fargo also strives to be a responsible corporate citizen. In 2014, Wells Fargo contributed more than $281 million, up 2 percent from 2013, to 17,100 community nonprofits. These organizations help our neighbors most in need and contribute to the revitalization and growth of the economy. I am proud that of all U.S. companies, we were the top corporate philanthropist in cash donations in 2012 and ranked second in 2013, according to *The Chronicle of Philanthropy* (rankings for 2014 will be released later in 2015).

We also strive to be responsive to economic, social, and environmental challenges. This includes helping underserved consumers who wish to enter or re-enter the banking system. We offer them products and services such as low-cost checking and remittance services, secured credit cards, and loans. Our Hands on Banking® program provides a wide array of free, easy-to-access financial education resources — from how-to guidance on budgeting and car buying, to saving and paying for college, to investing. We now offer *Hands on Banking* courses designed for military members, seniors, small business owners, and youth. Since 2003, we've reached nearly a half-million people, distributing *Hands on Banking* CDs to schools and organizations all over the world.

Earlier I mentioned the work we do to help people keep their homes. We also help low- to moderate-income households buy homes in many ways, but I am especially proud of our *LIFT* programs. These programs provide education and down payment assistance to potential homebuyers in communities that the last recession hit hard. Since 2012, we have committed $230 million to our *LIFT* programs, helping more than 8,500 people and families buy homes in 32 communities. In 2014, we also donated $6 million to 54 local nonprofits through the Wells Fargo Housing Foundation Priority Markets Program, which helps stabilize and revitalize distressed neighborhoods. And, as part of our support for those who serve our country, we have donated more than 200 mortgage-free homes to veterans over the past two years.

Additionally, we are making progress in our environmental efforts to contribute to a more sustainable future. Since 2012, Wells Fargo has deployed more than $37 billion to support environmental opportunities, such as clean technology, renewable energy, "greener" buildings, sustainable agriculture, and alternative transportation. In 2014, we expanded this focus with the Wells Fargo Innovation Incubator (IN2), a five-year, $10 million grant to help fund startup companies with innovative environmental technologies.

To learn more about our community efforts, I invite you to read our Corporate Social Responsibility Report at wellsfargo.com under "About Wells Fargo."

Staying grounded, moving ahead

As a company sets its sights on the future, the right culture is essential. It keeps its team members connected to the company's reason for being. At Wells Fargo, we strike that balance by focusing on six strategic priorities we believe we must master each day we board the stagecoach. These priorities receive our attention because they allow us to devote talent and resources to efforts focused on our future, initiatives that we believe are vital to continuing the success we've enjoyed in the post-financial crisis era.

Our six day-to-day strategic priorities are:

- **Putting customers first.** Our business is built around an unwavering focus on customers. Our people provide products and services to meet customer needs through multiple, convenient ways that add up to high-quality, caring relationships and guidance.
- **Growing revenue.** Revenue is the grade our customers give us each day when they reward us with their business. When we serve customers well, the money we earn is the result. We generate revenue from more than 90 businesses, which provide diverse sources of income through economic cycles.
- **Managing expenses.** We focus on operating efficiently by thoughtfully managing our resources and exercising discipline to invest in the areas that matter most to our customers and stakeholders. In 2014, our efficiency ratio (how much expense we incur for every dollar of revenue we earn) was 58.1 percent for the full year, within our target range of 55 to 59 percent, and industry-leading among our large bank peers.
- **Living our vision and values.** We seek to bring our vision and values to life in all that we do, demonstrating who we are through our actions.
- **Connecting with communities and stakeholders.** We believe there's a connection between our success and the success of our key stakeholders — customers, communities, investors, and team members. These are relationships we nurture each day.
- **Managing risk.** Strong risk management has been a cornerstone of our long-term success, so we continue to invest significantly in this area.

With these priorities well understood, we are able to devote additional talents and resources to four areas that we believe are critical to Wells Fargo's future: creating exceptional customer experiences, digitizing the enterprise, making diversity and inclusion part of our DNA, and leading the way in risk and operational excellence.

Creating exceptional customer experiences

I am often asked which of our competitors impresses me the most. My answer: the companies—regardless of industry—that put their customers first and are passionate about having a personal connection with them. They are companies that are redefining customer experiences and raising expectations for everyone, including banks. They have inspired us to accelerate our efforts to ensure Wells Fargo is a financial services provider of choice. This means being a company that connects with customers emotionally, technologically, conveniently, and through each stage of their financial lives.

We're also using technology to enhance our store experience while preserving valued personal service.

Every minute, we process more than 20,000 customer transactions, such as account openings or online bill payments. We believe each of these moments—and the many moments our customers will experience in the future—should be positive memories, the kind that keep customers coming back to do business with us, time and again.

Guiding our work in this area is what our brand stands for: "Together we'll go far." That means working together with our customers to help them fulfill their visions of financial success—through relationships and guidance that make a difference in our customers' lives, from people who are willing to go the extra mile to deliver that success. This requires a mindset on the part of our team members that places an emphasis on teamwork, positive attitude, and the demonstration of care in all that we do—whether we serve customers directly or support the people who do. *We all work for the customer.*

Success here also means accepting that customer feedback is a gift. If we accept the gift, we're certain to improve. For instance, feedback from customers led us to make several enhancements in 2014 to our credit card products, including launching two new credit cards—Propel 365 and Propel World—on the American Express network and expanding flexibility in our credit card rewards program. Based on feedback from business customers, we added a feature on Wells Fargo CEO Mobile® (our mobile service for business customers) that enables commercial card customers to easily photograph their receipts and upload them for out-of-pocket-expense reimbursement.

Digitizing the enterprise

The *CEO Mobile* enhancement reflects our focus on "digitizing the enterprise," our way of calling out how data and technology are shaping the customer experiences we deliver.

Digital is playing a larger role in all of our channels, from our award-winning website and mobile banking experience to newer services at our bank locations, ATMs, and call centers. For example, we were one of the first banks to offer Apple Pay™ as a convenient mobile-payment option. We anticipate more payment options to come for our mobile customers, because these more than 14 million active users represent our fastest-growing digital market segment.

We're also using technology to enhance our store experience while preserving valued personal service. We do this because customers still choose to bank with us at a physical location; in fact, 75 percent of deposit customers visited a bank location within the past six months. Many of our customers use three or more of our service channels. This gives us a great opportunity to connect our digital and physical services, providing customers a true omni-channel experience.

Customers researching new products can easily make an appointment to visit a banker directly from our website or mobile app. We are beginning to offer customers the option to receive and acknowledge new deposit account terms and conditions on their mobile phones, instead of receiving lengthy paper disclosures. And instead of paper receipts for teller or ATM transactions, our customers can opt for email or text.

And we continue to reduce the use of paper in other ways. For example, in 2014 we made substantial progress eliminating paper-transaction processing in our bank locations. Now, more than 4,500 bank locations have fully digitized processing of deposits, withdrawals, payments, and other teller transactions. For most transactions, customers make their selections on a touch screen interface, without filling out a paper slip. Tellers use high-speed scanners to process check deposits, eliminating the need for downstream paper processing. Electronic transactions, which we plan to fully implement in 2015, are faster, provide customers quicker access to their deposits, and reduce transportation and processing costs. A win-win for all.

We are also experimenting by connecting our full-service teller and self-service ATM experiences. In select pilot locations, customers can begin their transaction at an ATM, but if they need more assistance or if a transaction requires approval, a store team member is alerted on a wireless tablet and provides in-person assistance to complete the transaction. This assisted-service option allows us to deliver the best digital experience without compromising on personal service.

Additionally, in 2014 we launched the Wells Fargo Startup Accelerator, which invests in new companies that are developing banking technologies in areas such as payments, deposits, and fraud detection. The accelerator's equity investments range from $50,000 to $500,000, identified through a

We believe that to continue our success and meet the heightened expectations of our key stakeholders, we must excel in all types of risk management … Better risk management also will result in better customer experiences.

semiannual application process. Our hope is that the most promising technologies we invest in will one day reach Wells Fargo customers.

Making diversity and inclusion part of our DNA

As a nation, we are becoming more diverse, so much so that the U.S. Census Bureau projects that by 2043 we will be a nation without an ethnic or racial majority. This is why it is critical that our team members reflect the diversity in our communities, so we can better understand and serve the needs of our customers.

Internally, we nurture our diverse and inclusive culture in many ways. I personally chair our Diversity and Inclusion Council and have seen firsthand the advantages of having a culture that respects and values team members for who they are and the creativity and innovation that come from multiple perspectives and experiences.

Our multicultural focus starts at the top. It is no coincidence that we have one of the most diverse boards of directors in the industry: Of our 15 directors, 10 are women and/or people of color. I also hold each of my direct reports accountable through a "diversity scorecard" that I review with them to track our progress.

We offer comprehensive diversity and inclusion education for team members and sponsor 10 Team Member Networks that provide professional and leadership development, mentoring, and community involvement opportunities.

Signs of progress include the fact that six of our top female leaders were named to *American Banker's* 2014 list of "Most Powerful Women." We also received recognition as a Best Place to Work for LGBT Equality, earning a perfect score of 100 from the Human Rights Campaign—the 12th consecutive year we have received that honor. Additionally, we were recognized as the 8th Top Company for Veterans by *DiversityInc*, the 9th Best Company for Diversity by *Hispanic Business*, and the 18th Best Company for Latinas by *LATINA Style*.

Leading the way in risk and operational excellence

Wells Fargo has always been strong in risk management, particularly credit risk. Our goal is to build on our strengths and set the global standard for risk management excellence among all financial institutions. We want to incorporate robust risk management practices and principles into every aspect of our culture.

We believe that to continue our success and meet the heightened expectations of our key stakeholders, we must excel in all types of risk management, including credit, interest rate, market, liquidity, operational, and reputational risk. This also includes cybersecurity, in which we are making significant investments to protect our customers' information and assets and to safeguard our infrastructure and systems.

This doesn't mean that we won't take risks; in fact, as a bank we are in the business of managing risks. But we will attempt to do so prudently, only taking risks that we fully understand and avoiding shortcuts for profits at the expense of our culture.

We manage risk in three ways: Our business lines have primary responsibility for risk and act as our "first line of defense." Our enterprise Corporate Risk team provides an independent review of our risks as a "second line of defense." And our independent Corporate Audit team has the final say as a "third line of defense."

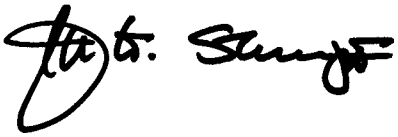
Most important, though, is that team members understand they have a responsibility to raise their hands when they see activities that could put our company at risk or are inconsistent with our culture. This shared responsibility is reflected even in how we pay our people. We take great care to align our incentives with our risk management objectives.

A new board member

On Jan. 1, 2015, we welcomed Elizabeth A. "Betsy" Duke to our board of directors. Betsy is a former member of the Board of Governors of the Federal Reserve System and has more than 30 years of banking and risk management experience. She brings exceptional industry knowledge and a strong combination of leadership and risk management experience to our company. Betsy serves on the board's Risk Committee.

I want to close by thanking our 265,000 team members for our success in 2014. They bring our culture to life. And if there is one job I must do for them and our customers, it is to be the keeper of our company's culture. That work doesn't end with this letter, nor should it. 2015 will be another year to nurture and invest in the customer-focused culture that drives our success and our future.

At Wells Fargo, culture counts!



John G. Stumpf
Chairman, President and Chief Executive Officer
Wells Fargo & Company
February 1, 2015

Care

Veteran Isaac Walters received a $15,000 NeighborhoodLIFT® grant, qualified for a mortgage, and bought his first home in November 2014.

Once struggling financially, Isaac Walters never gave up the hope he'd one day have his own home.

"It was my lifelong dream," said the Vietnam War veteran.

In 2014, Isaac approached Home Mortgage Consultant Josh Hoffmeister in Indianapolis, where he learned about Wells Fargo's *NeighborhoodLIFT* program, a collaborative effort between Wells Fargo and NeighborWorks® America that offers down payment assistance and homebuyer education.

To date, *NeighborhoodLIFT* and other Wells Fargo *LIFT* programs have created more than 8,500 homeowners.

Isaac received a $15,000 *NeighborhoodLIFT* grant, qualified for a mortgage through a federal Veterans Affairs program, and bought his first home in November 2014.

"He's had a tough time," Josh said, "but he has pulled himself out of it. What he has been able to do is amazing."

Isaac said, "From the day I moved into my home, I haven't stopped smiling."

Isaac Walters | Indianapolis, Indiana

Innovation

The Digital Innovation Lab fosters innovation and ways to enhance customer experiences. Conducting pilots and gathering feedback are key components of Wells Fargo's approach.

Mobile banking. Real-time account alerts. Making an appointment online with a banker. Wells Fargo developed all of these digital solutions by emphasizing a test-and-learn approach to innovation.

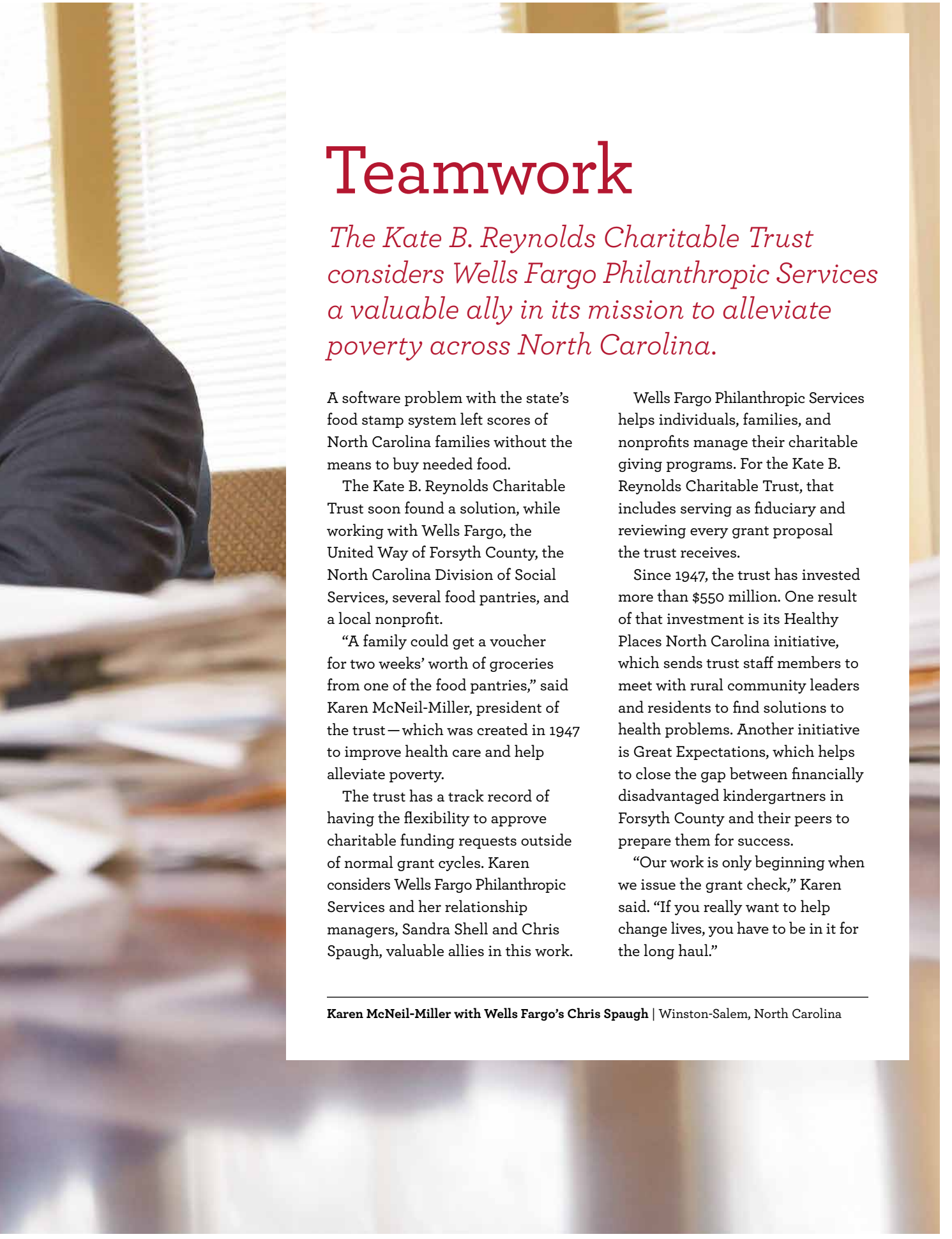
"We're developing digital solutions to simplify customers' financial lives and help them succeed financially," said Miranda Hill, a digital product manager. "Technology should enable and enhance the relationships we're building with customers."

One manifestation of that approach is the Digital Innovation Lab, where Wells Fargo tests new technologies to understand how they can improve customers' financial lives—*before* introducing these concepts to customers.

From enabling customers to check balances with a smart watch or log on to a mobile session using their voice, the Digital Innovation Lab develops ways to enhance customer experiences. Building demos, launching pilots, and gathering feedback are key components of this approach.

Not all of the concepts get adopted, but Miranda said this strategy ensures that when we roll a product or technology into production, "We do so in an informed way."

Wells Fargo's Miranda Hill | San Francisco, California



Teamwork

The Kate B. Reynolds Charitable Trust considers Wells Fargo Philanthropic Services a valuable ally in its mission to alleviate poverty across North Carolina.

A software problem with the state's food stamp system left scores of North Carolina families without the means to buy needed food.

The Kate B. Reynolds Charitable Trust soon found a solution, while working with Wells Fargo, the United Way of Forsyth County, the North Carolina Division of Social Services, several food pantries, and a local nonprofit.

"A family could get a voucher for two weeks' worth of groceries from one of the food pantries," said Karen McNeil-Miller, president of the trust—which was created in 1947 to improve health care and help alleviate poverty.

The trust has a track record of having the flexibility to approve charitable funding requests outside of normal grant cycles. Karen considers Wells Fargo Philanthropic Services and her relationship managers, Sandra Shell and Chris Spaugh, valuable allies in this work.

Wells Fargo Philanthropic Services helps individuals, families, and nonprofits manage their charitable giving programs. For the Kate B. Reynolds Charitable Trust, that includes serving as fiduciary and reviewing every grant proposal the trust receives.

Since 1947, the trust has invested more than $550 million. One result of that investment is its Healthy Places North Carolina initiative, which sends trust staff members to meet with rural community leaders and residents to find solutions to health problems. Another initiative is Great Expectations, which helps to close the gap between financially disadvantaged kindergartners in Forsyth County and their peers to prepare them for success.

"Our work is only beginning when we issue the grant check," Karen said. "If you really want to help change lives, you have to be in it for the long haul."

Karen McNeil-Miller with Wells Fargo's Chris Spaugh | Winston-Salem, North Carolina

Relationships

A focus on long-term relationships has helped take Vermeer Corporation from a single employee to 3,000.

In 1948, Gary Vermeer started a company with just one product idea, one employee, and one building he'd built himself. Today Vermeer Corporation is a global manufacturer of agricultural and industrial equipment that makes 150 models of various products, employs 3,000 people, and operates out of a 1.5 million-square-foot facility in Pella, Iowa, its headquarters.

"We develop products focused on improving infrastructure, managing natural resources, and assisting working farms and ranches," said Mary Andringa, Gary's daughter and the company's CEO. "Focusing on niche products is part of the culture my father established."

Wells Fargo has been working with Vermeer since 1950, and for the past 25 years, Mark Conway has served as the Commercial Banking relationship manager for Vermeer.

"Mark is one of the most frequent visitors to our headquarters," said Mary, "where everyone knows him by name." Mark said Vermeer and Wells Fargo line up culturally "because we both value long-term relationships and trust."

The trust Vermeer has in Wells Fargo was apparent when Vermeer began expanding internationally. CFO Steve Van Dusseldorp explained, "We needed help understanding foreign exchange, and Wells Fargo was there—not only with products and services but also with education and forecasting tools."

And when Vermeer needed to move its China facility from one location to another, a line of credit from Wells Fargo helped the company maintain working capital throughout the transition.

Steve said, "Wells Fargo helps us steward our assets and has a strong understanding of our business and cash management strategies—all of which has helped us in our company's success. Even in today's digital world, relationships *are* still important, and it's clear that Wells Fargo values relationships."

Wells Fargo's Mark Conway with Mary Andringa | Pella, Iowa

Support

Wells Fargo's Military Banking call center focuses solely on helping members of the military with their unique financial needs.

Monica Gomez, a customer service representative at Wells Fargo's Military Banking call center, can relate to the challenges that military service members face when stationed overseas. "I've been in their shoes," said the U.S. Navy veteran. "What they're going through hits home for me."

The San Antonio call center is focused solely on helping service members with their unique financial needs, from preparing for deployment to getting help with credit card debt and mortgage payments while on active duty. Every customer service representative has military ties. Many are veterans like Monica. Others are married to military members or have a parent or grandparent who served.

"Our backgrounds help us make a genuine connection with our customers," said Monica. "They know we understand the stress they and their families are under. And we're going to do everything we can to help them while they're working hard to serve our country."

Wells Fargo's Monica Gomez | San Antonio, Texas

Guidance

Teacher Richard Leistiko embarked on a financial transformation that helped him pay off debt, improve his credit score, and build up an emergency fund.

Richard Leistiko is a man on a mission—choosing to leave his home state of Montana to seek out teaching assignments across the U.S., where he can guide students and help them succeed.

That journey has taken him to Nome, Alaska, and now to Oakland, California, where he teaches kindergarten at a charter school. During his travels, Richard also decided it was time for him to begin a financial journey.

Student loan debt led him to Wells Fargo's banking store in Nome one day to talk to Personal Banker Drew McCann.

"I had just seen a Wells Fargo commercial that conveyed the message that the company was willing to help people financially even if they had limited assets," Richard said. "I decided to see if they could help me."

Drew helped Richard develop a budget and created a plan for paying bills and managing daily expenses. They also set up monthly check-ins to monitor progress—habits Richard has continued with Personal Banker Brett Northrup in Oakland.

Over the next 18 months, the financial actions Richard took helped him pay off debt, improve his credit score, and build up an emergency fund.

"Seeing where my money was coming in and going out has made a world of difference," Richard said, "and the monthly check-ins keep me committed to my budget and on track to reach my goals."

Said Brett, "Drew and I just provided the information and direction Richard needed to move forward and succeed financially. But he's done all the hard work. We couldn't be prouder of him."

Richard Leistiko | Oakland, California

Commitment

Foraged Feast provided more than 125,000 pounds of food to food banks and similar groups in 2014.

As an avid gardener, Maisie Roberts has always had an appreciation for good food. Believing that everyone should have access to affordable, fresh produce, she co-founded Foraged Feast, a nonprofit that works to make such universal access a reality.

Maisie, a Business Banking relationship manager in Denver, spends countless hours working to feed those in need by collecting locally grown food that would otherwise go to waste and delivering it to food service organizations in her community.

"Food banks have difficulty providing fresh produce to their clients, and farmers often have excess food after the farmers' markets close," said Maisie. "By connecting food banks and service organizations to farmers, we can provide fresh food that would otherwise go unused to those who are hungry."

Kayla Birdsong, head of food distribution at GrowHaus, a nonprofit food distributor, said, "Foraged Feast has helped us feed an additional 50 families each week."

With the donations from local farmers and farmers' markets, Maisie and volunteers at Foraged Feast provided more than 125,000 pounds of food to organizations like GrowHaus in 2014.

Through Wells Fargo's Volunteer Leave program, which provides paid leave to team members who are passionate about volunteering, Maisie spent three months last summer working full time to improve the nonprofit's food delivery options, harvest fresh produce, and—using her financial and business expertise—help the nonprofit grow. She also was awarded a $5,000 grant from Wells Fargo to support Foraged Feast's efforts.

Wells Fargo's Maisie Roberts | Denver, Colorado

Community

Wells Fargo provided a $75,000 grant to Boston University to support energy-efficiency research in low-income-housing communities.

A team of professors at Boston University is striving to improve energy efficiency and reduce energy costs in low-income-housing communities through a research project with the Madison Park Development Corporation in Roxbury, Massachusetts.

The team has worked closely with residents of Madison Park Village, a low-income community, to explore how economic, environmental, engineering, and sociological concerns affect energy use.

"To solve problems, you have to understand how people live and the challenges they experience," said Robert Kaufmann, a professor in the earth and environment department.

Wells Fargo provided a $75,000 research grant to the university through its Clean Technology and Innovation program. It's part of Wells Fargo's $100 million commitment to community grants for grassroots environmental initiatives.

Marta Marello, the project manager, said, "It's rare that our team is able to see how our research directly impacts a community. But with this project we're developing a roadmap to improve efficiency, cut costs, and even find solutions to heating and air conditioning problems."

Robert Kaufmann, Madison Park Development Corporation's Jean Pinādo, Wells Fargo's Jim Quirk, and Marta Marello | Boston, Massachusetts

Corporate Social Responsibility Highlights

Helping our communities is part of our culture. We understand and embrace our responsibility to help create more resilient and sustainable communities, and we have a clear focus on our social, economic, and environmental priorities. Here are a few highlights of our progress.

Team member volunteerism

6.4 million hours

volunteered since 2011, exceeding our four-year goal by 7 percent

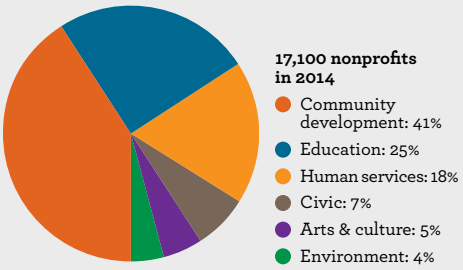
Homeownership

$230 million

committed to Wells Fargo *LIFT* programs since 2012, helping more than 8,500 people and families buy homes in 32 communities

Philanthropy

Donated $281.2 million in 2014 and surpassed our $1 billion goal two years early



Supplier diversity

$1 billion

spent with diverse suppliers in 2014, achieving our goal of spending 10 percent of our annual procurement budget with diverse businesses

Military veterans, service members

$49 million

in financial education, jobs assistance, and home donations since November 2012, surpassing our $35 million goal one year early

Team member giving

$97.7 million

in donations pledged in 2014, up nearly 10 percent from 2013

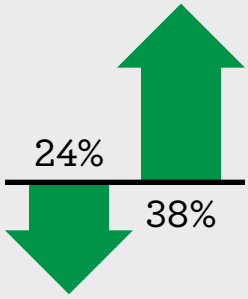
Green buildings

18%

of total square footage in leased and owned buildings is LEED certified, more than halfway to our 35 percent goal

Operational efficiency

24 percent reduction in absolute greenhouse gas emissions since 2008 and 38 percent increase in water efficiency since 2012



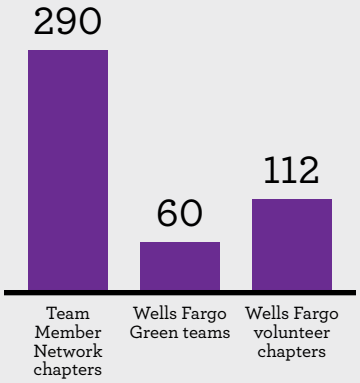
Environmental financing

$37 billion

in loans and investments since 2012, surpassing our 2020 goal of $30 billion

Team member engagement

Participation in community and diversity networks during 2014



Community development

$17 billion

in loans and investments since 2012, exceeding our $15 billion goal two years early

Small business lending

$18 billion

in new loan commitments to small businesses across the U.S. in 2014

To learn more

Read our 2014 Corporate Social Responsibility Interim Report
wellsfargo.com/about/csr/reports/

Board of Directors*

John D. Baker II *1, 2, 3*
Executive Chairman
FRP Holdings, Inc.
Jacksonville, Florida
(Real estate management)

Susan E. Engel *3, 4, 6*
Retired Chief Executive Officer
Portero, Inc.
New York, New York
(Online luxury retailer)

James H. Quigley *1, 3, 7*
CEO Emeritus
Deloitte
New York, New York
(Audit, tax, financial advisory)

Elaine L. Chao *3, 4*
Former U.S. Secretary of Labor
Washington, D.C.
(U.S. government)

Enrique Hernandez Jr. *1, 2, 4, 7*
Chairman, CEO
Inter-Con Security Systems, Inc.
Pasadena, California
(Security services)

Judith M. Runstad *2, 3, 4, 7*
Of Counsel
Foster Pepper PLLC
Seattle, Washington
(Law firm)

John S. Chen *6*
Executive Chairman, CEO
BlackBerry Limited
Waterloo, Ontario, Canada
(Wireless communications)

Donald M. James *4, 6*
Chairman
Vulcan Materials Company
Birmingham, Alabama
(Construction materials)

Stephen W. Sanger ** *5, 6, 7*
Retired Chairman
General Mills, Inc.
Minneapolis, Minnesota
(Packaged foods)

Lloyd H. Dean *2, 5, 6, 7*
President, CEO
Dignity Health
San Francisco, California
(Healthcare)

Cynthia H. Milligan *2, 3, 5, 7*
Dean Emeritus
College of Business Administration
University of Nebraska –
Lincoln, Nebraska
(Higher education)

John G. Stumpf
Chairman, President, CEO
Wells Fargo & Company

Elizabeth A. Duke *7*
Executive-in-Residence
Old Dominion University
Norfolk, Virginia
(Higher education)

Federico F. Peña *1, 2, 5*
Senior Advisor
Vestar Capital Partners
Denver, Colorado
(Private equity)

Susan G. Swenson *1, 5*
Retired President, CEO
Sage Software – North America
Irvine, California
(Business software and services supply)

* As of February 1, 2015. On February 24, 2015, Suzanne M. Vautrinot, President of Kilovolt, Inc. and a retired Major General and Commander in the United States Air Force, was elected to the Board and appointed to its Audit and Examination Committee.

Standing Committees *1. Audit and Examination 2. Corporate Responsibility 3. Credit 4. Finance 5. Governance and Nominating 6. Human Resources 7. Risk ** Lead Director*

Executive Officers, Corporate Staff

Wells Fargo Operating Committee pictured (left to right): Michael J. Heid, Carrie L. Tolstedt, John R. Shrewsberry, Avid Modjtabai, Kevin A. Rhein, Timothy J. Sloan, John G. Stumpf, James M. Strother, Patricia R. Callahan, David M. Julian, David M. Carroll, Michael J. Loughlin, and Hope A. Hardison

John G. Stumpf
*Chairman, President and CEO **

Paul R. Ackerman
Treasurer

Anthony R. Augliera
Corporate Secretary

J. Rich Baich
Chief Information Security Officer

Karl E. Byers
Chief Enterprise Risk Officer

Patricia R. Callahan
*Chief Administrative Officer **

Jon R. Campbell
Government and Community Relations

David M. Carroll
*Wealth, Brokerage and Retirement **

Christine A. Deakin
Corporate Strategy

Derek A. Flowers
Chief Credit Officer

Hope A. Hardison
*Human Resources **

Michael J. Heid
*Home Lending **

Bruce E. Helsel
Corporate Development

Richard C. Henderson
Corporate Properties

Yvette R. Hollingsworth
Chief Compliance Officer

David M. Julian
Chief Auditor

Richard D. Levy
*Controller **

Michael J. Loughlin
*Chief Risk Officer **

Avid Modjtabai
*Consumer Lending **

Jamie Moldafsky
Chief Marketing Officer

Kevin D. Oden
Chief Market Risk Officer

Kevin A. Rhein
*Chief Information Officer **

Joseph J. Rice
Chief Operational Risk Officer

James R. Richards
Bank Secrecy Act Officer and Head of Financial Crimes

Charles D. Roberson
Enterprise Efficiency & Global Services

James H. Rowe
Investor Relations

Eric D. Shand
Chief Loan Examiner

John R. Shrewsberry
*Chief Financial Officer **

Timothy J. Sloan
*Wholesale Banking **

James M. Strother
*General Counsel **

Oscar Suris
Corporate Communications

A. Charles Thomas
Chief Data Officer

Carrie L. Tolstedt
*Community Banking **

* *"Executive officers" according to Securities and Exchange Commission rules*

Senior Business Leaders

COMMUNITY BANKING

Group Head

Carrie L. Tolstedt

Business Banking Group

Hugh C. Long

- David L. Pope, Business Banking Sales and Service
- Debra B. Rossi, Merchant Services
- Donna J. Serres, SBA Lending

Deposit Products Group

Kenneth A. Zimmerman

- Daniel I. Ayala, Global Remittance Services
- Edward M. Kadletz, Debit and Prepaid Products

Wells Fargo Virtual Channels

James P. Smith

Regional Banking

Regional Presidents

Gerrit van Huisstede, Western Mountain

- Kirk V. Clausen, Nevada
- Pamela M. Conboy, Arizona/Idaho
  - Don M. Melendez, Idaho
- Joseph C. Everhart, Alaska
- Deborah (Dee) E. O'Donnell, Utah
- Patrick G. Yalung, Washington
- Dean Rennell, Business Banking

Michelle Y. Lee, Eastern

- Scott Coble, Florida
  - Joe A. Atkinson, South Florida
  - David Guzman, Greater Tampa Bay
  - Derek L. Jones, Greater Gulf Coast
  - Kelly A. Smith, North Florida
- Darryl Harmon, Southeast
  - Leigh Vincent Collier, Mid-South
  - Michael S. Donnelly, Atlanta
  - Chadwick A. (Chad) Gregory, Greater Georgia
- Pete Jones, Mid-Atlantic
  - Andrew M. Bertamini, Maryland
  - Ravi Chandra, Western Virginia
  - Michael L. Golden, Greater Washington, D.C.
  - Glen M. Kelley, Greater Virginia
  - Gregory S. Redden, Pennsylvania/Delaware
  - Gregory S. White, Greater Pennsylvania
- Forrest R. (Rick) Redden III, Carolinas
  - Kendall K. Alley, Carolinas West
  - Jack O. Clayton, Triangle/Eastern North Carolina
  - Kathy J. Heffley, South Carolina
- Larisa F. Perry, Northeast
  - Frederick A. Bertoldo, Northern New Jersey
  - Joseph F. Kirk, New York and Connecticut
  - Brenda K. Ross-Dulan, Southern New Jersey
- Lucia Gibbons, Business Banking

John K. Sotoodeh, Southwest

- John T. Gavin, Dallas-Fort Worth
- Glenn V. Godkin, Houston
- Lisa J. Riley, New Mexico/Western Border
- Jeffrey Schumacher, Central Texas
- Kenneth A. Telg, Greater Texas
- Don Kendrick, Business Banking

Lisa J. Stevens, Pacific Midwest

- Ben F. Alvarado, Southern California
  - Celia C. Lanning, Greater San Diego
- Tracy Curtis, Oregon
- David DiCristofaro, Greater Los Angeles
  - Marla M. Clemow, Los Angeles Metro
- James W. Foley, Bay Area
  - Robert F. Ceglio, Mount Diablo
  - Wendy L. Haller, Peninsula
  - Gregory L. Morgan, North Bay
  - Jeff S. Rademann, Santa Clara Valley
  - Micky S. Randhawa, East Bay
- David A. Galasso, Northern and Central California
  - Reza Razzaghipour, Pacific Coast
- David R. Kvamme, Great Lakes
  - Mary E. Bell, Indiana, Ohio
  - Sang Kim, Wisconsin, Michigan
  - Joe Ravens, Minnesota
- Frank Newman III, Rocky Mountain
  - Joy N. Ott, Montana, Wyoming
- Donald J. Pearson, Great Plains
  - Kirk L. Kellner, Kansas, Missouri, Nebraska
  - Daniel P. Murphy, North Dakota, South Dakota
- Marc Bernstein, Enterprise Small Business Segment
  - Todd Reimringer, Business Payroll Services
- Don A. Fracchia, Business Banking

CONSUMER LENDING

Group Head

Avid Modjtabai

Consumer Credit Solutions

Shelley S. Freeman

- Dan L. Abbott, Retail Services
- Beverly J. Anderson, Consumer Financial Services
- John P. Rasmussen, Education Financial Services

Dealer Services

Dawn Martin Harp

- Jerry Bowen, Commercial Dealer Services
- William Katafias, Indirect Auto Finance

Home Lending

Michael J. Heid

- Bradley W. Blackwell, Portfolio Lending
- Franklin R. Codel, Mortgage Production
- Michael J. DeVito, Home Lending Servicing
- Peter R. Diliberti, Capital Markets

WEALTH, BROKERAGE AND RETIREMENT

Group Head

David M. Carroll

- Darrell Cronk, Wells Fargo Investment Institute
- Mary T. Mack, Wells Fargo Advisors
- John M. Papadopulos, Retirement
- James P. Steiner, Abbot Downing
- Jay S. Welker, Wealth Management

WHOLESALE BANKING

Group Head

Timothy J. Sloan

Asset Management

Michael J. Niedermeyer

- Wayne S. Badorf, Intermediary Distribution
- Kirk Hartman, Wells Capital Management
- Amru A. Kahn, Global Institutional Sales
- Andrew Owen, Affiliated Managers Division
- Karla M. Rabusch, Wells Fargo Funds Management, LLC

Commercial Banking

Perry G. Pelos

- John C. Adams, Western Region
- MaryLou Barreiro, Specialty Industry Banking
- Stan F. Gibson, Carolinas Division
- Dave R. Golden, Mountain Division
- Paul D. Kalsbeek, Southern Region
- John P. Manning, Eastern Region
- Laura S. Oberst, Central Region

Commercial Real Estate

Mark L. Myers

- William M. Cotter, Northeast Region
- Christopher J. Jordan, Hospitality Finance and Senior Housing
- Michael F. Marino, Southern California Region
- David M. Martin, New York Metro Region
- Robin W. Michel, Southwest Region and Homebuilder Banking
- Rex E. Rudy, REIT Finance
- William A. Vernon, Midwest, Southeast, International Region and Real Estate Merchant Banking
- Cynthia Wilusz Lovell, Northwest Region

Corporate Banking Group

J. Michael Johnson

- J. Nicholas Cole, Wells Fargo Restaurant Finance; Gaming Division
- James D. Heinz, U.S. Corporate Banking; Healthcare Group
- Kyle G. Hranicky, Energy Group; Power & Utilities Group
- John R. Hukari, Equity Funds Group
- Brian J. Van Elslander, Financial Sponsors Group
- Daniel P. Weiler, Financial Institutions Group

Insurance Group

Laura L. Schupbach

- Kevin M. Brogan, Property and Casualty National Practice and Safehold Special Risk
- Michael P. Day, Rural Community Insurance Services, Inc.
- Jack S. (Sam) Elliott Jr., West Region, Insurance Brokerage and Consulting
- Peter A. Gilbertson, North Region, Insurance Brokerage and Consulting
- Kevin T. Kenny, Insurance Brokerage and Consulting, Growth & Business Development
- Tom C. Longhta, South Region, Insurance Brokerage and Consulting
- Laurie B. Nordquist, Personal and Small Business Insurance
- Tim Prichard, Employee Benefits National Practice

International Group

Richard J. Yorke

- Peter P. Connolly, Global Transaction Banking
- James C. Johnston, EMEA Regional President
- Christopher G. Lewis, International Trade Services
- John V. Rindlaub, Asia Pacific Regional President
- Sanjiv S. Sanghvi, Global Banking Group
- Charles H. Silverman, Global Financial Institutions

Principal Investments

George D. Wick

- Ross M. Berger, Corporate Credit
- Rosy Le Cohen, Municipal Bonds
- Arthur Evans, Municipal Bonds
- Philip A. Hopkins, Renewable Energy
- Jeff T. Nikora, Alternative Investment Management
- John Walbridge, Structured Products

Specialized Lending, Servicing and Trust

J. Edward Blakey

- Julie Caperton, Asset Backed Finance
- Lesley A. Eckstein, Community Lending and Investment
- Alan Kronovet, Commercial Mortgage Servicing
- William J. Mayer, Wells Fargo Equipment Finance
- Douglas J. Mazer, Real Estate Capital Markets
- Alan Wiener, Multi-family Housing

Wells Fargo Capital Finance

Henry K. Jordan

- Scott R. Diehl, Industries Group
- Jim Dore, Commercial and Retail Finance
- Guy K. Fuchs, Corporate Finance

Wells Fargo Securities

Jonathan G. Weiss

- Walter E. Dolhare, Markets Division
- Robert A. Engel, Investment Banking and Capital Markets
- Benjamin V. Lambert, Eastdil Secured, LLC
- Roy H. March, Eastdil Secured, LLC
- Diane Schumaker-Krieg, Research and Economics
- Phil D. Smith, Government and Institutional Banking

Wholesale Risk

David J. Weber

Wholesale Services

Stephen M. Ellis

- Daniel C. Peltz, Treasury Management Group

Wells Fargo & Company
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This Annual Report, including the Financial Review and the Financial Statements and related Notes, contains forward-looking statements, which may include forecasts of our financial results and condition, expectations for our operations and business, and our assumptions for those forecasts and expectations. Do not unduly rely on forward-looking statements. Actual results may differ materially from our forward-looking statements due to several factors. Factors that could cause our actual results to differ materially from our forward-looking statements are described in this Report, including in the "Forward-Looking Statements" and "Risk Factors" sections, and in the "Regulation and Supervision" section of our Annual Report on Form 10-K for the year ended December 31, 2014 (2014 Form 10-K).

When we refer to "Wells Fargo," "the Company," "we," "our" or "us" in this Report, we mean Wells Fargo & Company and Subsidiaries (consolidated). When we refer to the "Parent," we mean Wells Fargo & Company. When we refer to "legacy Wells Fargo," we mean Wells Fargo excluding Wachovia Corporation (Wachovia). See the Glossary of Acronyms for terms used throughout this Report.

Financial Review[1]

Overview

Wells Fargo & Company is a nationwide, diversified, community-based financial services company with $1.7 trillion in assets. Founded in 1852 and headquartered in San Francisco, we provide banking, insurance, investments, mortgage, and consumer and commercial finance through more than 8,700 locations, 12,500 ATMs, the internet (wellsfargo.com) and mobile banking, and we have offices in 36 countries to support our customers who conduct business in the global economy. With approximately 265,000 active, full-time equivalent team members, we serve one in three households in the United States and ranked No. 29 on *Fortune's* 2014 rankings of America's largest corporations. We ranked fourth in assets and first in the market value of our common stock among all U.S. banks at December 31, 2014.

We use our *Vision and Values* to guide us toward growth and success. Our vision is to satisfy all our customers' financial needs, help them succeed financially, be recognized as the premier financial services company in our markets and be one of America's great companies. Important to our strategy to achieve this vision is to increase the number of our products our customers use and to offer them all of the financial products that fulfill their financial needs. We aspire to create deep and enduring relationships with our customers by discovering their needs and delivering the most relevant products, services, advice, and guidance.

We have six primary values, which are based on our vision and provide the foundation for everything we do. First, we value and support our people as a competitive advantage and strive to attract, develop, retain and motivate the most talented people we can find. Second, we strive for the highest ethical standards with our team members, our customers, our communities and our shareholders. Third, with respect to our customers, we strive to base our decisions and actions on what is right for them in everything we do. Fourth, for team members we strive to build and sustain a diverse and inclusive culture - one where they feel valued and respected for who they are as well as for the skills and experiences they bring to our company. Fifth, we also look to each of our team members to be leaders in establishing, sharing and communicating our vision. Sixth, we strive to make risk management a competitive advantage by working hard to ensure that appropriate controls are in place to reduce risks to our customers, maintain and increase our competitive market position, and protect Wells Fargo's long-term safety, soundness and reputation.

Financial Performance

We completed another outstanding year of financial results in 2014 and remained America's most profitable bank. We generated record earnings, produced strong loan and deposit growth, grew the number of customers we serve, improved credit quality, enhanced our strong risk management practices, strengthened our capital and liquidity levels and rewarded our shareholders by increasing our dividend and buying back more shares. Wells Fargo net income was $23.1 billion in 2014, an increase of 5% compared with 2013, with record diluted earnings per share (EPS) of $4.10, also up 5% from the prior year. Our achievements during 2014 demonstrated the benefit of our diversified business model and our continued focus on the real economy.

Noteworthy items included:

- revenue of $84.3 billion, up 1% from 2013;
- pre-tax pre-provision profit (PTPP) of $35.3 billion, up 1%;
- our loans increased $40.3 billion, up 5%, even with the planned runoff in our non-strategic/liquidating portfolios, and our core loan portfolio grew by $60.3 billion, up 8%;
- our deposit franchise continued to generate strong customer deposit growth, with total deposits up $89.1 billion, or 8%;
- our credit performance continued to be strong with total net charge-offs down $1.6 billion, or 35%, from a year ago and our net charge-off ratio declined to 35 basis points of average loans;
- we continued to maintain solid customer relationships across the Company, with retail banking household cross-sell of 6.17 products per household (November 2014); Wholesale Banking cross-sell of 7.2 products per relationship (September 2014); and Wealth, Brokerage and Retirement cross-sell of 10.49 products per retail banking household (November 2014);
- we maintained strong capital levels as our estimated Common Equity Tier I ratio under Basel III (Advanced Approach, fully phased-in) was 10.43%; and
- our common stock price increased 21% and we returned $12.5 billion in capital to our shareholders through an increased common stock dividend and additional net share repurchases (up 74% from 2013).

[1] Financial information for certain periods prior to 2014 was revised to reflect our determination that certain factoring arrangements did not qualify as loans. See Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report for more information.

Balance Sheet and Liquidity

Our balance sheet grew 11% in 2014 to $1.7 trillion, as we increased our liquidity position, improved the quality of our assets and held more capital. We grew deposits by 8% in 2014 while reducing our deposit costs. We also grew our loans on a year-over-year basis for the 14th consecutive quarter (for the past 11 quarters year-over-year loan growth has been 3% or greater) despite the planned runoff from our non-strategic/liquidating portfolios. Our non-strategic/liquidating loan portfolios decreased $20.1 billion during the year (now less than 8% of total loans) and our core loan portfolios increased $60.3 billion from the prior year. Our federal funds sold, securities purchased under resale agreements and other short-term investments (collectively referred to as federal funds sold and other short-term investments elsewhere in this Report) increased by $44.6 billion, or 21%, during the year on continued strong growth in interest-earning deposits, and we grew our investment securities portfolio by $48.6 billion in 2014. While we believe our liquidity position continued to remain strong with increased regulatory expectations, we have added to our position over the past year. We issued $24.0 billion of liquidity-related long-term debt as well as additional liquidity-related short-term funding in 2014.

Deposit growth remained strong with period-end deposits up $89.1 billion from 2013. This increase reflected solid growth across both our commercial and consumer businesses. We grew our primary consumer checking customers by 5.2% and primary small business and business banking checking customers by 5.4% from a year ago (November 2014 compared with November 2013). Our ability to grow primary customers is important to our results because these customers have more interactions with us, have higher cross-sell and are more than twice as profitable as non-primary customers.

Credit Quality

Credit quality continued to improve in 2014, with solid performance in several of our commercial and consumer loan portfolios as losses remained near historically low levels, reflecting our long-term risk focus and the benefit from the improving housing market. Net charge-offs of $2.9 billion were 0.35% of average loans, down 21 basis points from a year ago. Net losses in our commercial portfolio were only $44 million, or 1 basis point of average loans. Net consumer losses declined to 65 basis points in 2014 from 98 basis points in 2013. Our commercial real estate portfolios were in a net recovery position for each quarter of 2014 and 2013, reflecting our conservative risk discipline and improved market conditions. Losses on our consumer real estate portfolios declined $1.4 billion, or 55%, from a year ago. The consumer loss levels reflected the benefit of the improving economy and our continued focus on originating high quality loans. Approximately 60% of the consumer first mortgage portfolio was originated after 2008, when new underwriting standards were implemented.

Reflecting these improvements in our loan portfolios, our provision for credit losses in 2014 was $1.4 billion compared with $2.3 billion a year ago. This provision reflected a release of $1.6 billion from the allowance for credit losses, compared with a release of $2.2 billion a year ago. Future allowance levels may increase or decrease based on a variety of factors, including loan growth, portfolio performance and general economic conditions.

In addition to lower net charge-offs and provision expense, nonperforming assets (NPAs) also improved and were down $4.1 billion, or 21%, from 2013. Nonaccrual loans declined $2.8 billion from the prior year while foreclosed assets were down $1.3 billion from 2013.

Capital

We continued to strengthen our capital levels in 2014 even as we returned more capital to our shareholders, increasing total equity to $185.3 billion at December 31, 2014, up $14.3 billion from the prior year. In 2014, our common shares outstanding declined by 86.8 million shares as we continued to reduce our common share count through the repurchase of 183.1 million common shares during the year. Also, we entered into a $750 million forward repurchase contract with an unrelated third party in October 2014 that settled in January 2015 for 14.3 million shares. In addition, we entered into another $750 million forward repurchase contract with an unrelated third party in January 2015 that is expected to settle in second quarter 2015 for approximately 14.3 million shares. We expect our share count to continue to decline in 2015 as a result of anticipated net share repurchases.

We believe an important measure of our capital strength is the estimated Common Equity Tier 1 ratio under Basel III, using the Advanced Approach, fully phased-in, which increased to 10.43% in 2014 from 9.76% a year ago.

Our regulatory capital ratios under Basel III (General Approach) remained strong with a total risk-based capital ratio of 15.53%, Tier 1 risk-based capital ratio of 12.45% and Tier 1 leverage ratio of 9.45% at December 31, 2014, compared with 15.43%, 12.33% and 9.60%, respectively, at December 31, 2013. See the “Capital Management” section in this Report for more information regarding our capital, including the calculation of common equity for regulatory purposes.

Table 1: Six-Year Summary of Selected Financial Data

(in millions, except per share amounts)	2014	2013	2012	2011	2010	2009	% Change 2014/ 2013	Five-year compound growth rate
Income statement								
Net interest income	**$ 43,527**	42,800	43,230	42,763	44,757	46,324	**2%**	**(1)**
Noninterest income	**40,820**	40,980	42,856	38,185	40,453	42,362	**—**	**(1)**
Revenue	**84,347**	83,780	86,086	80,948	85,210	88,686	**1**	**(1)**
Provision for credit losses	**1,395**	2,309	7,217	7,899	15,753	21,668	**(40)**	**(42)**
Noninterest expense	**49,037**	48,842	50,398	49,393	50,456	49,020	**—**	**—**
Net income before noncontrolling interests	**23,608**	22,224	19,368	16,211	12,663	12,667	**6**	**13**
Less: Net income from noncontrolling interests	**551**	346	471	342	301	392	**59**	**7**
Wells Fargo net income	**23,057**	21,878	18,897	15,869	12,362	12,275	**5**	**13**
Earnings per common share	**4.17**	3.95	3.40	2.85	2.23	1.76	**6**	**19**
Diluted earnings per common share	**4.10**	3.89	3.36	2.82	2.21	1.75	**5**	**19**
Dividends declared per common share	**1.35**	1.15	0.88	0.48	0.20	0.49	**17**	**22**
Balance sheet (at year end)								
Investment securities	**$ 312,925**	264,353	235,199	222,613	172,654	172,710	**18%**	**13**
Loans	**862,551**	822,286	798,351	769,631	757,267	782,770	**5**	**2**
Allowance for loan losses	**12,319**	14,502	17,060	19,372	23,022	24,516	**(15)**	**(13)**
Goodwill	**25,705**	25,637	25,637	25,115	24,770	24,812	**—**	**1**
Assets	**1,687,155**	1,523,502	1,421,746	1,313,867	1,258,128	1,243,646	**11**	**6**
Core deposits (1)	**1,054,348**	980,063	945,749	872,629	798,192	780,737	**8**	**6**
Long-term debt	**183,943**	152,998	127,379	125,354	156,983	203,861	**20**	**(2)**
Wells Fargo stockholders' equity	**184,394**	170,142	157,554	140,241	126,408	111,786	**8**	**11**
Noncontrolling interests	**868**	866	1,357	1,446	1,481	2,573	**—**	**(20)**
Total equity	**185,262**	171,008	158,911	141,687	127,889	114,359	**8**	**10**

(1) Core deposits are noninterest-bearing deposits, interest-bearing checking, savings certificates, certain market rate and other savings, and certain foreign deposits (Eurodollar sweep balances).

Table 2: Ratios and Per Common Share Data

	Year ended December 31,		
	2014	2013	2012
Profitability ratios			
Wells Fargo net income to average assets (ROA)	**1.45%**	1.51	1.41
Wells Fargo net income applicable to common stock to average Wells Fargo common stockholders' equity (ROE)	**13.41**	13.87	12.95
Efficiency ratio (1)	**58.1**	58.3	58.5
Capital ratios			
At year end:			
Wells Fargo common stockholders' equity to assets	**9.86**	10.17	10.24
Total equity to assets	**10.98**	11.22	11.18
Risk-based capital (2)			
Tier 1 capital	**12.45**	12.33	11.75
Total capital	**15.53**	15.43	14.63
Tier 1 leverage (2)	**9.45**	9.60	9.47
Common Equity Tier 1 (3)	**11.04**	10.82	10.12
Average balances:			
Average Wells Fargo common stockholders' equity to average assets	**10.22**	10.41	10.36
Average total equity to average assets	**11.32**	11.41	11.27
Per common share data			
Dividend payout (4)	**32.9**	29.6	26.2
Book value	**$ 32.19**	29.48	27.64
Market price (5)			
High	**55.95**	45.64	36.60
Low	**44.17**	34.43	27.94
Year end	**54.82**	45.40	34.18

(1) The efficiency ratio is noninterest expense divided by total revenue (net interest income and noninterest income).
(2) See Note 26 (Regulatory and Agency Capital Requirements) to Financial Statements in this Report for additional information.
(3) See the "Capital Management" section in this Report for additional information.
(4) Dividends declared per common share as a percentage of diluted earnings per common share.
(5) Based on daily prices reported on the New York Stock Exchange Composite Transaction Reporting System.

Earnings Performance

Wells Fargo net income for 2014 was $23.1 billion ($4.10 diluted earnings per common share), compared with $21.9 billion ($3.89 diluted per share) for 2013 and $18.9 billion ($3.36 diluted per share) for 2012. Our 2014 earnings reflected strong execution of our business strategy as well as growth in many of our businesses. Our financial performance in 2014 benefited from a $914 million reduction in our provision for credit losses, reflecting strong underlying credit performance. We also generated diversified sources of fee income across many of our businesses and grew loans and deposits.

Revenue, the sum of net interest income and noninterest income, was $84.3 billion in 2014, compared with $83.8 billion in 2013 and $86.1 billion in 2012. The increase in revenue for 2014 compared with 2013 was predominantly due to an increase in net interest income, reflecting increases in income from trading assets and investment securities. Our diversified sources of revenue generated by our businesses continued to be balanced between net interest income and noninterest income. In 2014, net interest income of $43.5 billion represented 52% of revenue, compared with $42.8 billion (51%) in 2013 and $43.2 billion (50%) in 2012.

Noninterest income was $40.8 billion in 2014, representing 48% of revenue, compared with $41.0 billion (49%) in 2013 and $42.9 billion (50%) in 2012. The decrease in 2014 was driven predominantly by a 27% decline in mortgage banking income due to decreased net gains on mortgage loan origination/sales activities, partially offset by higher trust and investment fee income. Mortgage loan originations were $175 billion in 2014, down from $351 billion a year ago.

Noninterest expense was $49.0 billion in 2014, compared with $48.8 billion in 2013 and $50.4 billion in 2012. The increase in noninterest expense in 2014, compared with 2013, reflected higher salaries expense and other expenses, including operating losses and outside professional services. Noninterest expense as a percentage of revenue (efficiency ratio) was 58.1% in 2014, 58.3% in 2013 and 58.5% in 2012, reflecting our expense management efforts.

Table 3 presents the components of revenue and noninterest expense as a percentage of revenue for year-over-year results.

Table 3: Net Interest Income, Noninterest Income and Noninterest Expense as a Percentage of Revenue

	Year ended December 31,					
(in millions)	**2014**	**% of revenue**	2013	% of revenue	2012	% of revenue
Interest income						
Trading assets	**$ 1,712**	**2%**	$ 1,406	2%	$ 1,380	2%
Investment securities	**9,253**	**11**	8,841	11	8,757	10
Mortgages held for sale (MHFS)	**767**	**1**	1,290	2	1,825	2
Loans held for sale (LHFS)	**78**	**—**	13	—	41	—
Loans	**35,715**	**42**	35,618	43	36,517	42
Other interest income	**932**	**1**	724	1	587	1
Total interest income	**48,457**	**57**	47,892	57	49,107	57
Interest expense						
Deposits	**1,096**	**1**	1,337	2	1,727	2
Short-term borrowings	**62**	**—**	71	—	94	—
Long-term debt	**2,488**	**3**	2,585	3	3,110	4
Other interest expense	**382**	**—**	307	—	245	—
Total interest expense	**4,028**	**4**	4,300	5	5,176	6
Net interest income (on a taxable-equivalent basis)	**44,429**	**53**	43,592	52	43,931	51
Taxable-equivalent adjustment	**(902)**	**(1)**	(792)	(1)	(701)	(1)
Net interest income (A)	**43,527**	**52**	42,800	51	43,230	50
Noninterest income						
Service charges on deposit accounts	**5,050**	**6**	5,023	6	4,683	5
Trust and investment fees (1)	**14,280**	**17**	13,430	16	11,890	14
Card fees	**3,431**	**4**	3,191	4	2,838	3
Other fees (1)	**4,349**	**5**	4,340	5	4,519	5
Mortgage banking (1)	**6,381**	**8**	8,774	10	11,638	14
Insurance	**1,655**	**2**	1,814	2	1,850	2
Net gains from trading activities	**1,161**	**1**	1,623	2	1,707	2
Net gains (losses) on debt securities	**593**	**1**	(29)	—	(128)	—
Net gains from equity investments	**2,380**	**3**	1,472	2	1,485	2
Lease income	**526**	**1**	663	1	567	1
Other	**1,014**	**1**	679	1	1,807	2
Total noninterest income (B)	**40,820**	**48**	40,980	49	42,856	50
Noninterest expense						
Salaries	**15,375**	**18**	15,152	18	14,689	17
Commission and incentive compensation	**9,970**	**12**	9,951	12	9,504	11
Employee benefits	**4,597**	**5**	5,033	6	4,611	5
Equipment	**1,973**	**2**	1,984	2	2,068	2
Net occupancy	**2,925**	**3**	2,895	3	2,857	3
Core deposit and other intangibles	**1,370**	**2**	1,504	2	1,674	2
FDIC and other deposit assessments	**928**	**1**	961	1	1,356	2
Other (2)	**11,899**	**14**	11,362	14	13,639	16
Total noninterest expense	**49,037**	**58**	48,842	58	50,398	59
Revenue (A) + (B)	**$ 84,347**		$ 83,780		$ 86,086	

(1) See Table 7 – Noninterest Income in this Report for additional detail.
(2) See Table 8 – Noninterest Expense in this Report for additional detail.

Net Interest Income

Net interest income is the interest earned on debt securities, loans (including yield-related loan fees) and other interest-earning assets minus the interest paid for deposits, short-term borrowings and long-term debt. The net interest margin is the average yield on earning assets minus the average interest rate paid for deposits and our other sources of funding. Net interest income and the net interest margin are presented on a taxable-equivalent basis in Table 5 to consistently reflect income from taxable and tax-exempt loans and securities based on a 35% federal statutory tax rate.

While the Company believes that it has the ability to increase net interest income over time, net interest income and the net interest margin in any one period can be significantly affected by a variety of factors including the mix and overall size of our earning assets portfolio and the cost of funding those assets. In addition, some variable sources of interest income, such as resolutions from purchased credit-impaired (PCI) loans, loan prepayment fees and collection of interest on nonaccrual loans, can vary from period to period. Net interest income growth has been challenged during the prolonged low interest rate environment as higher yielding loans and securities runoff have been replaced with lower yielding assets. The pace of this repricing has slowed in recent quarters.

Net interest income on a taxable-equivalent basis was $44.4 billion in 2014, compared with $43.6 billion in 2013, and $43.9 billion in 2012. The net interest margin was 3.11% in 2014, down 29 basis points from 3.40% in 2013, which was down 36 basis points from 3.76% in 2012. The increase in net interest income for 2014, compared with 2013, was largely driven by securities purchases, higher trading balances, and reduced funding costs due to disciplined deposit pricing and lower long-term debt yields. Strong growth in commercial, retained real estate and automobile loans also contributed to higher net interest income as originations replaced runoff in the non-strategic/liquidating portfolios. The improvement in net interest income was partially offset by the impact of lower mortgages held for sale (MHFS) balances. The decline in net interest margin in 2014, compared with a year ago, was primarily driven by higher funding balances, including actions taken in response to increased regulatory liquidity expectations, which raised long-term debt and term deposits in addition to customer-driven deposit growth. This growth in funding increased cash and federal funds sold and other short-term investments and was dilutive to net interest margin although essentially neutral to net interest income.

Table 4 presents the components of earning assets and funding sources as a percentage of earning assets to provide a more meaningful analysis of year-over-year changes that influenced net interest income.

Average earning assets increased $147.3 billion in 2014 from a year ago, as average investment securities increased $30.6 billion and average federal funds sold and other short-term investments increased $86.4 billion for the same period, respectively. In addition, average loans increased $31.8 billion in 2014, compared with a year ago. The increases in average investment securities, average federal funds sold and other short-term investments and average loans were partially offset by a $16.3 billion decline in average MHFS.

Core deposits are an important low-cost source of funding and affect both net interest income and the net interest margin. Core deposits include noninterest-bearing deposits, interest-bearing checking, savings certificates, market rate and other savings, and certain foreign deposits (Eurodollar sweep balances). Average core deposits rose to $1.0 trillion in 2014, compared with $942.1 billion in 2013, and funded 120% of average loans compared with 117% a year ago. Average core deposits decreased to 70% of average earning assets in 2014, compared with 73% a year ago. The cost of these deposits has continued to decline due to a sustained low interest rate environment and a shift in our deposit mix from higher cost certificates of deposit to lower yielding checking and savings products. About 96% of our average core deposits are in checking and savings deposits, one of the highest industry percentages.

Table 5 presents the individual components of net interest income and the net interest margin. The effect on interest income and costs of earning asset and funding mix changes described above, combined with rate changes during 2014, are analyzed in Table 6.

Table 4: Average Earning Assets and Funding Sources as a Percentage of Average Earnings Assets

	Year ended December 31,			
	2014		2013	
(in millions)	Average balance	% of earning assets	Average balance	% of earning assets
Earning assets				
Federal funds sold, securities purchased under resale agreements and other short-term investments	**$ 241,282**	**17%**	$ 154,902	12%
Trading assets	**55,140**	**4**	44,745	3
Investment securities:				
Available-for-sale securities:				
Securities of U.S. Treasury and federal agencies	**10,400**	**1**	6,750	1
Securities of U.S. states and political subdivisions	**43,138**	**3**	39,922	3
Mortgage-backed securities:				
Federal agencies	**114,076**	**8**	107,148	8
Residential and commercial	**26,475**	**2**	30,717	2
Total mortgage-backed securities	**140,551**	**10**	137,865	11
Other debt and equity securities	**47,488**	**3**	55,002	4
Total available-for-sale securities	**241,577**	**17**	239,539	19
Held-to-maturity securities	**29,319**	**2**	717	—
Mortgages held for sale (1)	**19,018**	**1**	35,273	3
Loans held for sale (1)	**4,226**	**—**	163	—
Loans:				
Commercial:				
Commercial and industrial - U.S.	**204,819**	**14**	185,813	14
Commercial and industrial - Non U.S.	**42,661**	**3**	40,987	3
Real estate mortgage	**112,710**	**8**	107,316	8
Real estate construction	**17,676**	**1**	16,537	1
Lease financing	**12,257**	**1**	12,373	1
Total commercial	**390,123**	**27**	363,026	28
Consumer:				
Real estate 1-4 family first mortgage	**261,620**	**18**	254,012	20
Real estate 1-4 family junior lien mortgage	**62,510**	**4**	70,264	5
Credit card	**27,491**	**2**	24,757	2
Automobile	**53,854**	**4**	48,476	4
Other revolving credit and installment	**38,834**	**3**	42,135	3
Total consumer	**444,309**	**31**	439,644	34
Total loans (1)	**834,432**	**58**	802,670	63
Other	**4,673**	**—**	4,354	—
Total earning assets	**$ 1,429,667**	**100%**	$ 1,282,363	100%
Funding sources				
Deposits:				
Interest-bearing checking	**$ 39,729**	**3%**	$ 35,570	3%
Market rate and other savings	**585,854**	**41**	550,394	43
Savings certificates	**38,111**	**3**	49,510	4
Other time deposits	**51,434**	**4**	28,090	2
Deposits in foreign offices	**95,889**	**7**	76,894	6
Total interest-bearing deposits	**811,017**	**57**	740,458	58
Short-term borrowings	**60,111**	**4**	54,716	4
Long-term debt	**167,420**	**12**	134,937	11
Other liabilities	**14,401**	**1**	12,471	1
Total interest-bearing liabilities	**1,052,949**	**74**	942,582	74
Portion of noninterest-bearing funding sources	**376,718**	**26**	339,781	26
Total funding sources	**$ 1,429,667**	**100%**	$ 1,282,363	100%
Noninterest-earning assets				
Cash and due from banks	**$ 16,361**		16,272	
Goodwill	**25,687**		25,637	
Other	**121,634**		121,711	
Total noninterest-earning assets	**$ 163,682**		163,620	
Noninterest-bearing funding sources				
Deposits	**$ 303,127**		280,229	
Other liabilities	**56,985**		58,178	
Total equity	**180,288**		164,994	
Noninterest-bearing funding sources used to fund earning assets	**(376,718)**		(339,781)	
Net noninterest-bearing funding sources	**$ 163,682**		163,620	
Total assets	**$ 1,593,349**		1,445,983	

(1) Nonaccrual loans are included in their respective loan categories.

Table 5: Average Balances, Yields and Rates Paid (Taxable-Equivalent Basis) (1)(2)

(in millions)	2014 Average balance	2014 Yields/ rates	2014 Interest income/ expense	2013 Average balance	2013 Yields/ rates	2013 Interest income/ expense
Earning assets						
Federal funds sold, securities purchased under resale agreements and other short-term investments	**$ 241,282**	**0.28%**	**$ 673**	154,902	0.32%	$ 489
Trading assets	**55,140**	**3.10**	**1,712**	44,745	3.14	1,406
Investment securities (3):						
Available-for-sale securities:						
Securities of U.S. Treasury and federal agencies	**10,400**	**1.64**	**171**	6,750	1.66	112
Securities of U.S. states and political subdivisions	**43,138**	**4.29**	**1,852**	39,922	4.38	1,748
Mortgage-backed securities:						
Federal agencies	**114,076**	**2.84**	**3,235**	107,148	2.83	3,031
Residential and commercial	**26,475**	**6.03**	**1,597**	30,717	6.47	1,988
Total mortgage-backed securities	**140,551**	**3.44**	**4,832**	137,865	3.64	5,019
Other debt and equity securities	**47,488**	**3.66**	**1,741**	55,002	3.53	1,940
Total available-for-sale securities	**241,577**	**3.56**	**8,596**	239,539	3.68	8,819
Held-to-maturity securities:						
Securities of U.S. Treasury and federal agencies	**17,239**	**2.23**	**385**	—	—	—
Securities of U.S. states and political subdivisions	**246**	**4.93**	**12**	—	—	—
Federal agency mortgage-backed securities	**5,921**	**2.55**	**151**	701	3.09	22
Other debt securities	**5,913**	**1.85**	**109**	16	1.99	—
Held-to-maturity securities	**29,319**	**2.24**	**657**	717	3.06	22
Total investment securities	**270,896**	**3.42**	**9,253**	240,256	3.68	8,841
Mortgages held for sale (4)	**19,018**	**4.03**	**767**	35,273	3.66	1,290
Loans held for sale (4)	**4,226**	**1.85**	**78**	163	7.95	13
Loans:						
Commercial:						
Commercial and industrial - U.S.	**204,819**	**3.35**	**6,869**	185,813	3.66	6,807
Commercial and industrial - non U.S.	**42,661**	**2.03**	**867**	40,987	2.03	832
Real estate mortgage	**112,710**	**3.64**	**4,100**	107,316	3.94	4,233
Real estate construction	**17,676**	**4.21**	**744**	16,537	4.76	787
Lease financing	**12,257**	**5.63**	**690**	12,373	6.10	755
Total commercial	**390,123**	**3.40**	**13,270**	363,026	3.70	13,414
Consumer:						
Real estate 1-4 family first mortgage	**261,620**	**4.19**	**10,961**	254,012	4.22	10,717
Real estate 1-4 family junior lien mortgage	**62,510**	**4.30**	**2,686**	70,264	4.29	3,014
Credit card	**27,491**	**11.98**	**3,294**	24,757	12.46	3,084
Automobile	**53,854**	**6.27**	**3,377**	48,476	6.94	3,365
Other revolving credit and installment	**38,834**	**5.48**	**2,127**	42,135	4.80	2,024
Total consumer	**444,309**	**5.05**	**22,445**	439,644	5.05	22,204
Total loans (4)	**834,432**	**4.28**	**35,715**	802,670	4.44	35,618
Other	**4,673**	**5.54**	**259**	4,354	5.39	235
Total earning assets	**$ 1,429,667**	**3.39%**	**$ 48,457**	1,282,363	3.73%	$ 47,892
Funding sources						
Deposits:						
Interest-bearing checking	**$ 39,729**	**0.07%**	**$ 26**	35,570	0.06%	$ 22
Market rate and other savings	**585,854**	**0.07**	**403**	550,394	0.08	450
Savings certificates	**38,111**	**0.85**	**323**	49,510	1.13	559
Other time deposits	**51,434**	**0.40**	**207**	28,090	0.69	194
Deposits in foreign offices	**95,889**	**0.14**	**137**	76,894	0.15	112
Total interest-bearing deposits	**811,017**	**0.14**	**1,096**	740,458	0.18	1,337
Short-term borrowings	**60,111**	**0.10**	**62**	54,716	0.13	71
Long-term debt	**167,420**	**1.49**	**2,488**	134,937	1.92	2,585
Other liabilities	**14,401**	**2.65**	**382**	12,471	2.46	307
Total interest-bearing liabilities	**1,052,949**	**0.38**	**4,028**	942,582	0.46	4,300
Portion of noninterest-bearing funding sources	**376,718**	**—**	**—**	339,781	—	—
Total funding sources	**$ 1,429,667**	**0.28**	**4,028**	1,282,363	0.33	4,300
Net interest margin and net interest income on a taxable-equivalent basis (5)		**3.11%**	**$ 44,429**		3.40%	$ 43,592
Noninterest-earning assets						
Cash and due from banks	**$ 16,361**			16,272		
Goodwill	**25,687**			25,637		
Other	**121,634**			121,711		
Total noninterest-earning assets	**$ 163,682**			163,620		
Noninterest-bearing funding sources						
Deposits	**$ 303,127**			280,229		
Other liabilities	**56,985**			58,178		
Total equity	**180,288**			164,994		
Noninterest-bearing funding sources used to fund earning assets	**(376,718)**			(339,781)		
Net noninterest-bearing funding sources	**$ 163,682**			163,620		
Total assets	**$ 1,593,349**			1,445,983		

(1) Our average prime rate was 3.25% for 2014, 2013, 2012, 2011, and 2010, respectively. The average three-month London Interbank Offered Rate (LIBOR) was 0.23%, 0.27%, 0.43%, 0.34%, and 0.34% for the same years, respectively.
(2) Yield/rates and amounts include the effects of hedge and risk management activities associated with the respective asset and liability categories.

	2012			2011			2010	
Average balance	Yields/ rates	Interest income/ expense	Average balance	Yields/ rates	Interest income/ expense	Average balance	Yields/ rates	Interest income/ expense
$ 84,081	0.45%	$ 378	87,186	0.40%	$ 345	62,961	0.36%	$ 230
41,950	3.29	1,380	39,737	3.68	1,463	29,920	3.75	1,121
3,604	1.31	47	5,503	1.25	69	1,870	3.24	61
34,875	4.48	1,561	24,035	5.09	1,223	16,089	6.09	980
92,887	3.12	2,893	74,665	4.36	3,257	71,953	5.14	3,697
33,545	6.75	2,264	31,902	8.20	2,617	31,815	10.67	3,396
126,432	4.08	5,157	106,567	5.51	5,874	103,768	6.84	7,093
49,245	4.04	1,992	38,625	5.03	1,941	32,611	6.45	2,102
214,156	4.09	8,757	174,730	5.21	9,107	154,338	6.63	10,236
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
214,156	4.09	8,757	174,730	5.21	9,107	154,338	6.63	10,236
48,955	3.73	1,825	37,232	4.42	1,644	36,716	4.73	1,736
661	6.22	41	1,104	5.25	58	3,773	2.67	101
173,913	4.01	6,981	157,608	4.37	6,894	149,576	4.80	7,186
38,838	2.34	910	35,042	2.13	745	27,176	2.53	688
105,492	4.19	4,416	102,320	4.07	4,167	98,558	3.90	3,839
18,047	4.97	897	21,672	4.88	1,057	31,306	3.36	1,052
13,067	7.18	939	13,223	7.52	994	13,735	9.16	1,258
349,357	4.05	14,143	329,865	4.20	13,857	320,351	4.38	14,023
235,011	4.55	10,704	227,676	4.90	11,156	236,673	5.21	12,321
80,887	4.28	3,460	90,755	4.33	3,930	101,598	4.45	4,525
22,809	12.68	2,892	21,556	13.04	2,811	22,542	13.38	3,017
44,986	7.54	3,390	43,834	8.14	3,568	43,986	8.88	3,905
42,174	4.57	1,928	43,458	4.56	1,980	45,451	4.44	2,017
425,867	5.25	22,374	427,279	5.49	23,445	450,250	5.73	25,785
775,224	4.71	36,517	757,144	4.93	37,302	770,601	5.17	39,808
4,438	4.70	209	4,929	4.12	203	5,849	3.56	207
$ 1,169,465	4.20%	$ 49,107	1,102,062	4.55%	$ 50,122	1,064,158	5.02%	$ 53,439
$ 30,564	0.06%	$ 19	47,705	0.08%	$ 40	60,941	0.12%	$ 72
505,310	0.12	592	464,450	0.18	836	416,877	0.26	1,088
59,484	1.31	782	69,711	1.43	995	87,133	1.43	1,247
13,363	1.68	225	13,126	2.04	268	14,654	2.07	302
67,920	0.16	109	61,566	0.22	136	55,097	0.22	123
676,641	0.26	1,727	656,558	0.35	2,275	634,702	0.45	2,832
51,196	0.18	94	51,781	0.18	94	46,824	0.22	106
127,547	2.44	3,110	141,079	2.82	3,978	185,426	2.64	4,888
10,032	2.44	245	10,955	2.88	316	6,863	3.31	227
865,416	0.60	5,176	860,373	0.77	6,663	873,815	0.92	8,053
304,049	—	—	241,689	—	—	190,343	—	—
$ 1,169,465	0.44	5,176	1,102,062	0.61	6,663	1,064,158	0.76	8,053
	3.76%	$ 43,931		3.94%	$ 43,459		4.26%	$ 45,386
$ 16,303			17,388			17,618		
25,417			24,904			24,824		
130,450			125,911			120,338		
$ 172,170			168,203			162,780		
$ 263,863			215,242			183,008		
61,214			57,399			47,877		
151,142			137,251			122,238		
(304,049)			(241,689)			(190,343)		
$ 172,170			168,203			162,780		
$ 1,341,635			1,270,265			1,226,938		

(3) The average balance amounts represent amortized cost for the periods presented.
(4) Nonaccrual loans and related income are included in their respective loan categories.
(5) Includes taxable-equivalent adjustments of $902 million, $792 million, $701 million, $696 million and $629 million for 2014, 2013, 2012, 2011 and 2010, respectively, primarily related to tax-exempt income on certain loans and securities. The federal statutory tax rate utilized was 35% for the periods presented.

Table 6 allocates the changes in net interest income on a taxable-equivalent basis to changes in either average balances or average rates for both interest-earning assets and interest-bearing liabilities. Because of the numerous simultaneous volume and rate changes during any period, it is not possible to precisely allocate such changes between volume and rate. For this table, changes that are not solely due to either volume or rate are allocated to these categories on a pro-rata basis based on the absolute value of the change due to average volume and average rate.

Table 6: Analysis of Changes of Net Interest Income

	Year ended December 31,					
	2014 over 2013			2013 over 2012		
(in millions)	Volume	Rate	Total	Volume	Rate	Total
Increase (decrease) in interest income:						
Federal funds sold, securities purchased under resale agreements and other short-term investments	**$ 252**	**(68)**	**184**	245	(134)	111
Trading assets	**324**	**(18)**	**306**	90	(64)	26
Investment securities:						
Available-for-sale securities:						
Securities of U.S. Treasury and federal agencies	**60**	**(1)**	**59**	49	16	65
Securities of U.S. states and political subdivisions	**140**	**(36)**	**104**	223	(36)	187
Mortgage-backed securities:						
Federal agencies	**193**	**11**	**204**	421	(283)	138
Residential and commercial	**(262)**	**(129)**	**(391)**	(185)	(91)	(276)
Total mortgage-backed securities	**(69)**	**(118)**	**(187)**	236	(374)	(138)
Other debt and equity securities	**(270)**	**71**	**(199)**	217	(269)	(52)
Total available-for-sale securities	**(139)**	**(84)**	**(223)**	725	(663)	62
Held-to-maturity securities	**643**	**(8)**	**635**	22	—	22
Mortgages held for sale	**(643)**	**120**	**(523)**	(502)	(33)	(535)
Loans held for sale	**82**	**(17)**	**65**	(37)	9	(28)
Loans:						
Commercial:						
Commercial and industrial - U.S.	**664**	**(602)**	**62**	459	(633)	(174)
Commercial and industrial - non U.S.	**35**	**—**	**35**	48	(126)	(78)
Real estate mortgage	**203**	**(336)**	**(133)**	77	(260)	(183)
Real estate construction	**52**	**(95)**	**(43)**	(73)	(37)	(110)
Lease financing	**(7)**	**(58)**	**(65)**	(48)	(136)	(184)
Total commercial	**947**	**(1,091)**	**(144)**	463	(1,192)	(729)
Consumer:						
Real estate 1-4 family first mortgage	**320**	**(76)**	**244**	825	(812)	13
Real estate 1-4 family junior lien mortgage	**(335)**	**7**	**(328)**	(454)	8	(446)
Credit card	**332**	**(122)**	**210**	243	(51)	192
Automobile	**354**	**(342)**	**12**	254	(279)	(25)
Other revolving credit and installment	**(167)**	**270**	**103**	(2)	98	96
Total consumer	**504**	**(263)**	**241**	866	(1,036)	(170)
Total loans	**1,451**	**(1,354)**	**97**	1,329	(2,228)	(899)
Other	**17**	**7**	**24**	(4)	30	26
Total increase (decrease) in interest income	**1,987**	**(1,422)**	**565**	1,868	(3,083)	(1,215)
Increase (decrease) in interest expense:						
Deposits:						
Interest-bearing checking	**2**	**2**	**4**	3	—	3
Market rate and other savings	**21**	**(68)**	**(47)**	55	(197)	(142)
Savings certificates	**(114)**	**(122)**	**(236)**	(123)	(100)	(223)
Other time deposits	**117**	**(104)**	**13**	152	(183)	(31)
Deposits in foreign offices	**32**	**(7)**	**25**	11	(8)	3
Total interest-bearing deposits	**58**	**(299)**	**(241)**	98	(488)	(390)
Short-term borrowings	**7**	**(16)**	**(9)**	6	(29)	(23)
Long-term debt	**551**	**(648)**	**(97)**	171	(696)	(525)
Other liabilities	**50**	**25**	**75**	61	1	62
Total increase (decrease) in interest expense	**666**	**(938)**	**(272)**	336	(1,212)	(876)
Increase (decrease) in net interest income on a taxable-equivalent basis	**$ 1,321**	**(484)**	**837**	1,532	(1,871)	(339)

Noninterest Income

Table 7: Noninterest Income

	Year ended December 31,		
(in millions)	**2014**	2013	2012
Service charges on deposit accounts	**$ 5,050**	5,023	4,683
Trust and investment fees:			
Brokerage advisory, commissions and other fees	**9,183**	8,395	7,524
Trust and investment management	**3,387**	3,289	3,080
Investment banking	**1,710**	1,746	1,286
Total trust and investment fees	**14,280**	13,430	11,890
Card fees	**3,431**	3,191	2,838
Other fees:			
Charges and fees on loans	**1,316**	1,540	1,746
Merchant processing fees	**726**	669	583
Cash network fees	**507**	493	470
Commercial real estate brokerage commissions	**469**	338	307
Letters of credit fees	**390**	410	441
All other fees	**941**	890	972
Total other fees	**4,349**	4,340	4,519
Mortgage banking:			
Servicing income, net	**3,337**	1,920	1,378
Net gains on mortgage loan origination/sales activities	**3,044**	6,854	10,260
Total mortgage banking	**6,381**	8,774	11,638
Insurance	**1,655**	1,814	1,850
Net gains from trading activities	**1,161**	1,623	1,707
Net gains (losses) on debt securities	**593**	(29)	(128)
Net gains from equity investments	**2,380**	1,472	1,485
Lease income	**526**	663	567
Life insurance investment income	**558**	566	757
All other	**456**	113	1,050
Total	**$ 40,820**	40,980	42,856

Noninterest income of $40.8 billion represented 48% of revenue for 2014 compared with $41.0 billion, or 49%, for 2013 and $42.9 billion, or 50%, for 2012. The decrease in noninterest income in 2014 was primarily due to a decline in mortgage banking, partially offset by growth in many of our other businesses including debit card, corporate banking, principal investments, asset-backed finance, equipment finance, international, venture capital, wealth management and retail brokerage. Excluding mortgage banking, noninterest income increased $2.2 billion from a year ago.

Service charges on deposit accounts increased $27 million from 2013 due to account growth, new commercial product sales and commercial product re-pricing, partially offset by changes we implemented in early October 2014 designed to provide customers with more real time information to manage their deposit accounts and avoid overdrafts. Service charges on deposit accounts in 2013 increased $340 million, or 7%, from 2012 due to primary consumer checking customer growth, product changes and customer adoption of overdraft services.

Brokerage advisory, commissions and other fees are received for providing services to full-service and discount brokerage customers. Income from these brokerage-related activities include asset-based fees, which are based on the market value of the customer's assets, and transactional commissions based on the number and size of transactions executed at the customer's direction. These fees increased to $9.2 billion in 2014, from $8.4 billion and $7.5 billion in 2013 and 2012, respectively. The increase in brokerage income was predominantly due to higher asset-based fees as a result of higher market values and growth in assets under management, partially offset by a decrease in brokerage transaction revenue. Retail brokerage client assets totaled $1.42 trillion at December 31, 2014, up 4% from $1.36 trillion at December 31, 2013, which was up 12% from $1.22 trillion at December 31, 2012.

We earn trust and investment management fees from managing and administering assets, including mutual funds, corporate trust, personal trust, employee benefit trust and agency assets. Trust and investment management fees are largely based on a tiered scale relative to the market value of the assets under management or administration. These fees increased to $3.4 billion in 2014 from $3.3 billion in 2013 and $3.1 billion in 2012, primarily due to growth in assets under management reflecting higher market values. At December 31, 2014, these assets totaled $2.5 trillion, an increase from $2.4 trillion and $2.2 trillion at December 31, 2013 and 2012, respectively.

We earn investment banking fees from underwriting debt and equity securities, arranging loan syndications, and performing other related advisory services. Investment banking fees remained unchanged at $1.7 billion in 2014 compared with 2013 as higher advisory services results were offset by lower loan syndication and origination fees. Investment banking fees increased $460 million in 2013 compared with 2012, primarily due to increased loan syndication volume and equity originations.

Card fees were $3.4 billion in 2014, compared with $3.2 billion in 2013 and $2.8 billion in 2012. Card fees increased in 2014 and 2013 primarily due to account growth and increased purchase activity.

Other fees of $4.3 billion in 2014 were unchanged compared with 2013 as a decline in charges and fees on loans was offset by an increase in commercial real estate brokerage commissions. Other fees in 2013 declined $179 million compared with 2012 due to a decline in charges and fees on loans. Charges and fees on loans decreased to $1.3 billion in 2014 compared with $1.5 billion and $1.7 billion in 2013 and 2012, respectively, primarily due to the phase out of the direct deposit advance product during the first half of 2014. Commercial real estate brokerage commissions increased to $469 million in 2014 compared with $338 million in 2013 and $307 million in 2012, driven by increased sales and other property-related activities including financing and advisory services.

Mortgage banking income, consisting of net servicing income and net gains on loan origination/sales activities, totaled $6.4 billion in 2014, compared with $8.8 billion in 2013 and $11.6 billion in 2012.

In addition to servicing fees, net mortgage loan servicing income includes amortization of commercial mortgage servicing rights (MSRs), changes in the fair value of residential MSRs during the period, as well as changes in the value of derivatives (economic hedges) used to hedge the residential MSRs. Net servicing income of $3.3 billion for 2014 included a $1.4 billion net MSR valuation gain ($2.1 billion decrease in the fair value of the MSRs offset by a $3.5 billion hedge gain). Net servicing income of $1.9 billion for 2013 included a $489 million net MSR valuation gain ($3.4 billion increase in the fair value of the MSRs offset by a $2.9 billion hedge loss), and net servicing income of $1.4 billion for 2012 included a $681 million net MSR valuation gain ($2.9 billion decrease in the fair value of MSRs offset by a $3.6 billion hedge gain). The lower net MSR valuation gain in 2013, compared with 2014, was attributable to MSR valuation adjustments associated with higher prepayments and increases in servicing and foreclosure costs.

Our portfolio of loans serviced for others was $1.86 trillion at December 31, 2014, $1.90 trillion at December 31, 2013, and $1.91 trillion at December 31, 2012. At December 31, 2014, the ratio of MSRs to related loans serviced for others was 0.75%,

compared with 0.88% at December 31, 2013 and 0.67% at December 31, 2012. See the "Risk Management – Asset/Liability Management – Mortgage Banking Interest Rate and Market Risk" section in this Report for additional information regarding our MSRs risks and hedging approach.

Net gains on mortgage loan origination/sale activities were $3.0 billion in 2014, compared with $6.9 billion in 2013 and $10.3 billion in 2012. The decrease from 2013 and 2012 was primarily driven by lower origination volume and margins. Mortgage loan originations were $175 billion in 2014, of which 68% were for home purchases, compared with $351 billion and 47%, respectively, for 2013 and $524 billion and 35%, respectively, for 2012. Mortgage applications were $262 billion in 2014, compared with $438 billion in 2013 and $736 billion in 2012. The 1-4 family first mortgage unclosed pipeline was $26 billion at December 31, 2014, compared with $25 billion at December 31, 2013 and $81 billion at December 31, 2012. For additional information about our mortgage banking activities and results, see the "Risk Management – Asset/Liability Management – Mortgage Banking Interest Rate and Market Risk" section and Note 9 (Mortgage Banking Activities) and Note 17 (Fair Values of Assets and Liabilities) to Financial Statements in this Report.

Net gains on mortgage loan origination/sales activities include adjustments to the mortgage repurchase liability. Mortgage loans are repurchased from third parties based on standard representations and warranties, and early payment default clauses in mortgage sale contracts. For 2014, we released a net $140 million from the repurchase liability, compared with a provision of $428 million for 2013 and $1.9 billion for 2012. For additional information about mortgage loan repurchases, see the "Risk Management – Credit Risk Management – Liability for Mortgage Loan Repurchase Losses" section and Note 9 (Mortgage Banking Activities) to Financial Statements in this Report.

We engage in trading activities primarily to accommodate the investment activities of our customers, execute economic hedging to manage certain of our balance sheet risks and for a very limited amount of proprietary trading for our own account. Net gains (losses) from trading activities, which reflect unrealized changes in fair value of our trading positions and realized gains and losses, were $1.2 billion in 2014, $1.6 billion in 2013 and $1.7 billion in 2012. The year-over-year decrease in 2014 was driven by lower trading from customer accommodation activity within our capital markets business and lower deferred compensation gains (offset in employee benefits expense), and the decrease in 2013 from 2012 was largely driven by lower results in customer accommodation activity. Net gains from trading activities do not include interest and dividend income and expense on trading securities. Those amounts are reported within interest income from trading assets and other interest expense from trading liabilities. Interest and fees related to proprietary trading are reported in their corresponding income statement line items. Proprietary trading activities are not significant to our client-focused business model. For additional information about proprietary and other trading, see the "Risk Management – Asset/Liability Management – Market Risk – Trading Activities" section in this Report.

Net gains on debt and equity securities totaled $3.0 billion for 2014 and $1.4 billion for both 2013 and 2012, after other-than-temporary impairment (OTTI) write-downs of $322 million, $344 million and $416 million, respectively, for the same periods. The increase in net gains on debt and equity securities reflected the benefit of strong public and private equity markets.

All other income was $456 million for 2014 compared with $113 million in 2013 and $1.1 billion in 2012. All other income includes ineffectiveness recognized on derivatives that qualify for hedge accounting, losses on low-income housing tax credit investments, foreign currency adjustments and income from investments accounted for under the equity method, any of which can cause decreases and net losses in other income. Higher other income for 2014 compared with a year ago primarily reflected larger ineffectiveness gains on derivatives that qualify for hedge accounting, a gain on sale of government-guaranteed student loans in fourth quarter 2014, and a gain on sale of 40 insurance offices in second quarter 2014. These were partially offset by lower income from equity method investments.

Noninterest Expense

Table 8: Noninterest Expense

	Year ended December 31,		
(in millions)	**2014**	2013	2012
Salaries	**$ 15,375**	15,152	14,689
Commission and incentive compensation	**9,970**	9,951	9,504
Employee benefits	**4,597**	5,033	4,611
Equipment	**1,973**	1,984	2,068
Net occupancy	**2,925**	2,895	2,857
Core deposit and other intangibles	**1,370**	1,504	1,674
FDIC and other deposit assessments	**928**	961	1,356
Outside professional services	**2,689**	2,519	2,729
Operating losses	**1,249**	821	2,235
Outside data processing	**1,034**	983	910
Contract services	**975**	935	1,011
Travel and entertainment	**904**	885	839
Postage, stationery and supplies	**733**	756	799
Advertising and promotion	**653**	610	578
Foreclosed assets	**583**	605	1,061
Telecommunications	**453**	482	500
Insurance	**422**	437	453
Operating leases	**220**	204	109
All other	**1,984**	2,125	2,415
Total	**$ 49,037**	48,842	50,398

Noninterest expense was $49.0 billion in 2014, up slightly from $48.8 billion in 2013, which was down 3% from $50.4 billion in 2012. The increase in 2014 was driven predominantly by higher operating losses ($1.2 billion, up from $821 million in 2013) and higher outside professional services ($2.7 billion, up from $2.5 billion in 2013), partially offset by lower personnel expenses ($29.9 billion, down from $30.1 billion in 2013). The decrease in 2013 from 2012 was driven by lower operating losses, lower foreclosed assets expense and lower FDIC and other deposit assessments, as well as the completion of Wachovia merger integration activities in first quarter 2012.

Personnel expenses, which include salaries, commissions, incentive compensation and employee benefits, were down $194 million, or 1%, in 2014 compared with 2013, due to lower deferred compensation plan expense (offset in trading revenue) and other employee benefit costs, and reduced staffing and lower volume-related compensation in our mortgage business. These decreases were partially offset by higher revenue-based compensation, annual salary increases, and increased staffing for risk management and our non-mortgage businesses. For 2013, these expenses were up 5% compared with 2012, due to annual salary increases and related salary taxes, higher revenue-based compensation, and higher employee benefit costs.

Outside professional services were up 7% in 2014 compared with 2013 due to continued investments by our businesses in their service delivery systems and in our risk management infrastructure to meet increased regulatory and compliance requirements as well as evolving cybersecurity risk.

Operating losses were up $428 million, or 52%, in 2014 compared with 2013, predominantly due to higher litigation accruals.

All other expenses of $2.0 billion in 2014 were down slightly from $2.1 billion in 2013, which were down from $2.4 billion in 2012. The decrease in 2013 compared with 2012 was primarily due to a $250 million charitable contribution to Wells Fargo Foundation in 2012.

Our full year 2014 efficiency ratio improved slightly to 58.1% compared with 58.3% in 2013. The Company expects to operate within its targeted efficiency ratio range of 55% - 59% for full year 2015.

Income Tax Expense

The 2014 annual effective tax rate was 30.9% compared with 32.2% in 2013 and 32.5% in 2012. The effective tax rate for 2014 included a net reduction in the reserve for uncertain tax positions primarily due to the resolution of prior period matters with state taxing authorities. The effective tax rate for 2013 included a net reduction in the reserve for uncertain tax positions primarily due to settlements with authorities regarding certain cross border transactions and tax benefits recognized from the realization for tax purposes of a previously written down investment. The 2012 effective tax rate included a tax benefit resulting from the surrender of previously written-down Wachovia life insurance investments. See Note 21 (Income Taxes) to Financial Statements in this Report for information regarding tax matters related to undistributed foreign earnings.

Operating Segments

We are organized for management reporting purposes into three operating segments: Community Banking; Wholesale Banking; and Wealth, Brokerage and Retirement (WBR). These segments are defined by product type and customer segment and their results are based on our management accounting process, for which there is no comprehensive, authoritative financial accounting guidance equivalent to generally accepted accounting principles (GAAP). In addition to measuring financial performance, each of our operating segments monitors cross-sell metrics to measure the extent they are satisfying our customers' financial needs. The following discussion presents our methodology for measuring cross-sell for each of our operating segments, and along with Tables 9, 9a, 9b and 9c, presents our results by operating segment. For additional financial information and the underlying management accounting process, see Note 24 (Operating Segments) to Financial Statements in this Report.

Table 9: Operating Segment Results – Highlights

					Year ended December 31,
(in millions, except average balances which are in billions)	Community Banking	Wholesale Banking	Wealth, Brokerage and Retirement	Other (1)	Consolidated Company
2014					
Revenue	**$ 50,862**	**23,482**	**14,218**	**(4,215)**	**84,347**
Provision (reversal of provision) for credit losses	**1,681**	**(266)**	**(50)**	**30**	**1,395**
Net income (loss)	**14,180**	**7,584**	**2,083**	**(790)**	**23,057**
Average loans	**$ 503.2**	**313.4**	**52.1**	**(34.3)**	**834.4**
Average core deposits	**642.3**	**274.0**	**154.9**	**(67.6)**	**1,003.6**
2013					
Revenue	$ 50,339	24,064	13,203	(3,826)	83,780
Provision (reversal of provision) for credit losses	2,755	(445)	(16)	15	2,309
Net income (loss)	12,732	8,133	1,712	(699)	21,878
Average loans	$ 499.3	287.7	46.1	(30.4)	802.7
Average core deposits	620.1	237.2	150.1	(65.3)	942.1
2012					
Revenue	$ 53,405	24,092	12,160	(3,571)	86,086
Provision (reversal of provision) for credit losses	6,835	286	125	(29)	7,217
Net income (loss)	10,492	7,774	1,328	(697)	18,897
Average loans	$ 487.1	273.8	42.7	(28.4)	775.2
Average core deposits	591.2	227.0	137.5	(61.8)	893.9

(1) Includes items not assigned to a specific business segment and elimination of certain items that are included in more than one business segment, substantially all of which represents products and services for wealth management customers provided in Community Banking stores.

Cross-sell Our cross-sell strategy is to increase the number of products our customers use by offering them all of the financial products that satisfy their financial needs. We track our cross-sell activities based on whether the customer is a retail banking household or has a wholesale banking relationship. A retail banking household is a household that uses at least one of the following retail products - a demand deposit account, savings account, savings certificate, individual retirement account (IRA) certificate of deposit, IRA savings account, personal line of credit, personal loan, home equity line of credit or home equity loan. A household is determined based on aggregating all accounts with the same address. For our wholesale banking relationships, we aggregate all related entities under common ownership or control.

We report cross-sell metrics for our Community Banking and WBR operating segments based on the average number of retail products used per retail banking household. For Community Banking the cross-sell metric represents the relationship of all retail products used by customers in retail banking households. For WBR the cross-sell metric represents the relationship of all retail products used by customers in retail banking households who are also WBR customers.

Products included in our retail banking household cross-sell metrics must be retail products and have the potential for revenue generation and long-term viability. Products and services that generally do not meet these criteria - such as ATM cards, online banking and direct deposit - are not included. In addition, multiple holdings by a brokerage customer within an investment category, such as common stock, mutual funds or bonds, are counted as a single product. We may periodically update the products included in our cross-sell metrics to account for changes in our product offerings.

For our Wholesale Banking operating segment cross-sell represents the average number of Wholesale Banking (non-retail) products used per Wholesale Banking customer relationship. What we include as products in the cross-sell metric comes from a defined set of revenue generating products within the following product families: credit, treasury management, deposits, risk management, foreign exchange, capital markets and advisory, investments, insurance, trade financing, and trust and servicing. The number of customer relationships is based on tax identification numbers adjusted to combine those entities under common ownership or another structure indicative of a single relationship and includes only relationships that produced revenue for the period of measurement.

Operating Segment Results

The following discussion provides a description of each of our operating segments, including cross-sell metrics and financial results.

COMMUNITY BANKING offers a complete line of diversified financial products and services for consumers and small businesses including checking and savings accounts, credit and debit cards, and auto, student, and small business lending. These products also include investment, insurance and trust services in 39 states and D.C., and mortgage and home equity loans in all 50 states and D.C. through its Regional Banking and Wells Fargo Home Lending business units. The Community Banking segment also includes the results of our Corporate Treasury activities net of allocations in support of the other operating segments and results of investments in our affiliated venture capital partnerships. Our retail banking household cross-sell was 6.17 products per household in November 2014, up from 6.16 in November 2013 and 6.05 in November 2012. The November 2014 cross-sell ratio included the acquisition of an existing private label and co-branded credit card loan portfolio in connection with a new program agreement with Dillard's, Inc. (Dillard's), a major retail department store. We believe there is more opportunity for cross-sell as we continue to earn more business from our customers. Our goal is eight products per household, which is approximately one-half of our estimate of potential demand for an average U.S. household. In November 2014, one of every four of our retail banking households had eight or more of our products. Table 9a provides additional financial information for Community Banking.

Table 9a - Community Banking

	Year ended December 31,		
(in millions, except average balances which are in billions)	**2014**	2013	2012
Net interest income	**$ 29,709**	28,839	29,045
Noninterest income:			
Service charges on deposit accounts	**3,386**	3,463	3,298
Trust and investment fees:			
Brokerage advisory, commissions and other fees	**1,796**	1,603	1,401
Trust and investment management	**817**	755	699
Investment banking (1)	**(80)**	(77)	(41)
Total trust and investment fees	**2,533**	2,281	2,059
Card fees	**3,167**	2,958	2,638
Other fees	**2,296**	2,342	2,294
Mortgage banking	**6,011**	8,335	11,235
Insurance	**127**	130	147
Net gains from trading activities	**134**	244	133
Net gains (losses) on debt securities	**253**	(77)	(120)
Net gains from equity investments (2)	**1,731**	1,033	875
Other income of the segment	**1,515**	791	1,801
Total noninterest income	**21,153**	21,500	24,360
Total revenue	**50,862**	50,339	53,405
Provision for credit losses	**1,681**	2,755	6,835
Noninterest expense:			
Personnel expense	**17,077**	17,693	17,195
Equipment	**1,740**	1,733	1,759
Net occupancy	**2,181**	2,133	2,093
Core deposit and other intangibles	**629**	697	781
FDIC and other deposit assessments	**584**	621	907
Outside professional services	**1,124**	1,117	1,311
Operating losses	**1,065**	698	2,029
Other expense of the segment	**3,726**	4,031	4,765
Total noninterest expense	**28,126**	28,723	30,840
Income before income tax expense and noncontrolling interests	**21,055**	18,861	15,730
Income tax expense	**6,350**	5,799	4,774
Net income from noncontrolling interests (3)	**525**	330	464
Net income	**$ 14,180**	12,732	10,492
Average loans	**$ 503.2**	499.3	487.1
Average core deposits	**642.3**	620.1	591.2

(1) Represents syndication and underwriting fees paid to Wells Fargo Securities which are offset in our Wholesale Banking segment.
(2) Predominantly represents gains resulting from venture capital investments.
(3) Reflects results attributable to noncontrolling interests primarily associated with the Company's consolidated merchant services joint venture and venture capital investments.

Community Banking reported net income of $14.2 billion in 2014, up $1.4 billion, or 11%, from $12.7 billion in 2013, which was up 21% from $10.5 billion in 2012. Revenue was $50.9 billion in 2014, an increase of $523 million, or 1%, compared with $50.3 billion in 2013, which was down 6% compared with $53.4 billion in 2012. The increase in revenue for 2014 was primarily driven by higher net interest income, gains on sale of equity investments and debt securities, higher trust and investment fees, and higher card fees, partially offset by lower mortgage banking revenue, the phase out of the direct deposit advance product during the first half of 2014, and lower deferred compensation plan investment gains (offset in employee benefits expense). Higher other income for 2014 compared with a year ago reflected larger ineffectiveness gains on derivatives that qualify for hedge accounting and a gain on sale of government guaranteed student loans in fourth quarter 2014. The decrease in 2013 was a result of lower mortgage banking revenue, partially offset by higher trust and investment fees, and revenue from debit, credit and merchant card volumes. Lower other segment income for 2013 compared with 2012 was due to larger ineffectiveness losses on derivatives that qualify for hedge accounting and interest-related valuation changes on certain mortgage-related assets carried at fair value. Average core deposits increased $22.2 billion in 2014, or 4%, from 2013, which increased $28.9 billion, or 5%, from 2012. Noninterest expense decreased $597 million in 2014, or 2%, from 2013, which declined $2.1 billion, or 7%, from 2012. The decrease in noninterest expense for 2014 largely reflected lower mortgage volume-related expenses and deferred compensation expense (offset in revenue), partially offset by higher operating losses. The decrease in noninterest expense for 2013 reflected lower FDIC and other deposit insurance assessments primarily due to lower FDIC assessment rates. The provision for credit losses of $1.7 billion in 2014 was 39% lower than 2013, which was $2.8 billion, or 60%, lower than 2012, due to improved performance of the consumer real estate portfolio in both 2014 and 2013.

WHOLESALE BANKING provides financial solutions to businesses across the United States and globally with annual sales generally in excess of $20 million. Products and business segments include Middle Market Commercial Banking, Government and Institutional Banking, Corporate Banking, Commercial Real Estate, Treasury Management, Wells Fargo Capital Finance, Insurance, International, Real Estate Capital Markets, Commercial Mortgage Servicing, Corporate Trust, Equipment Finance, Wells Fargo Securities, Principal Investments, Asset Backed Finance, and Asset Management. Wholesale Banking cross-sell was 7.2 products per relationship in September 2014, up from 7.1 in September 2013 and 6.8 in September 2012. Table 9b provides additional financial information for Wholesale Banking.

Table 9b - Wholesale Banking

(in millions, except average balances which are in billions)		2014	Year ended December 31, 2013	2012
Net interest income	$	**11,955**	12,298	12,648
Noninterest income:				
Service charges on deposit accounts		**1,663**	1,559	1,383
Trust and investment fees:				
Brokerage advisory, commissions and other fees		**333**	270	235
Trust and investment management		**1,824**	1,789	1,672
Investment banking		**1,803**	1,839	1,341
Total trust and investment fees		**3,960**	3,898	3,248
Card fees		**262**	231	200
Other fees		**2,048**	1,993	2,219
Mortgage banking		**370**	426	407
Insurance		**1,352**	1,559	1,585
Net gains from trading activities		**872**	1,211	1,426
Net gains (losses) on debt securities		**335**	45	(13)
Net gains from equity investments		**636**	425	511
Other income of the segment		**29**	419	478
Total noninterest income		**11,527**	11,766	11,444
Total revenue		**23,482**	24,064	24,092
Provision (reversal of provision) for credit losses		**(266)**	(445)	286
Noninterest expense:				
Personnel expense		**7,093**	6,763	6,315
Equipment		**186**	194	268
Net occupancy		**442**	454	441
Core deposit and other intangibles		**391**	425	473
FDIC and other deposit assessments		**269**	259	313
Outside professional services		**1,107**	1,023	953
Operating losses		**98**	43	193
Other expense of the segment		**3,389**	3,217	3,126
Total noninterest expense		**12,975**	12,378	12,082
Income before income tax expense and noncontrolling interest		**10,773**	12,131	11,724
Income tax expense		**3,165**	3,984	3,943
Net income from noncontrolling interest		**24**	14	7
Net income	$	**7,584**	8,133	7,774
Average loans	$	**313.4**	287.7	273.8
Average core deposits		**274.0**	237.2	227.0

Wholesale Banking reported net income of $7.6 billion in 2014, down $549 million, or 7%, from $8.1 billion in 2013, which was up 5% from $7.8 billion in 2012. The year over year decrease in net income during 2014 was the result of lower revenues, increased noninterest expense and higher provision for credit losses. The year over year increase in net income during 2013 was the result of improvement in provision for credit losses and stable revenue performance partially offset by increased noninterest expense. Revenue in 2014 of $23.5 billion decreased $582 million, or 2%, from $24.1 billion in 2013, as growth in asset backed finance, asset management, commercial real estate brokerage, corporate banking, equipment finance, international, principal investing and treasury management was more than offset by lower PCI resolution income as well as lower crop insurance fee income. Revenue in 2013 of $24.1 billion was flat from 2012, as business growth from asset backed finance, asset management, capital markets and commercial real estate was offset by lower PCI resolution income.

Net interest income of $12.0 billion in 2014 decreased $343 million, or 3%, from 2013, which was down 3% from 2012. The decrease in 2014 and 2013 was due to lower PCI resolutions and net interest margin compression due to declining loan yields and fees that was partially offset by increased interest income primarily from strong loan growth. Average loans of $313.4 billion in 2014 increased $25.7 billion, or 9%, from $287.7 billion in 2013, which was up 5% from $273.8 billion in 2012. The loan growth in 2014 and 2013 was broad based across many Wholesale Banking businesses. Average core deposits of $274.0 billion in 2014 increased $36.8 billion, or 16%, from 2013 which was up 4%, from 2012, reflecting continued strong customer liquidity for both years.

Noninterest income of $11.5 billion in 2014 decreased $239 million, or 2%, from 2013 as business growth in asset backed finance, asset management, commercial real estate brokerage, corporate banking, equipment finance, international, principal investing and treasury management was more than offset by lower customer accommodation related gains on

trading assets, lower insurance income related to a decline in crop insurance fee income and the 2014 divestiture of 40 insurance offices, and lower other income. The reduction in other income was caused by the financial results of low-income housing tax credits and other nonmarketable investments which are accounted for under the equity accounting method, partially offset by a gain on the divestiture of the 40 insurance offices. Noninterest income of $11.8 billion in 2013 increased $322 million, or 3%, from 2012 due to strong growth in asset backed finance, asset management, capital markets, commercial banking, commercial real estate and corporate banking. Noninterest expense in 2014 increased $597 million, or 5%, compared with 2013, which was up 2%, or $296 million, from 2012. The increase in both 2014 and 2013 was due to higher personnel expenses and higher non-personnel expenses related to growth initiatives and compliance and regulatory requirements. The provision for credit losses increased $179 million from 2013 due primarily to strong commercial loan growth in 2014. The provision for credit losses in 2013 decreased $731 million from 2012, due to lower loan losses.

WEALTH, BROKERAGE AND RETIREMENT provides a full range of financial advisory services to clients using a planning approach to meet each client's financial needs. Wealth Management provides affluent and high net worth clients with a complete range of wealth management solutions, including financial planning, private banking, credit, investment management and fiduciary services. Abbot Downing, a Wells Fargo business, provides comprehensive wealth management services to ultra-high net worth families and individuals as well as endowments and foundations. Brokerage serves customers' advisory, brokerage and financial needs as part of one of the largest full-service brokerage firms in the United States. Retirement is a national leader in providing institutional retirement and trust services (including 401(k) and pension plan record keeping) for businesses and reinsurance services for the life insurance industry. Wealth, Brokerage and Retirement cross-sell was 10.49 products per retail banking household in November 2014, up from 10.42 in November 2013 and 10.27 in November 2012. Table 9c provides additional financial information for Wealth, Brokerage and Retirement.

Table 9c - Wealth, Brokerage and Retirement

	Year ended December 31,		
(in millions, except average balances which are in billions)	**2014**	2013	2012
Net interest income	**$ 3,179**	2,888	2,768
Noninterest income:			
Service charges on deposit accounts	**18**	17	18
Trust and investment fees:			
Brokerage advisory, commissions and other fees	**8,855**	8,133	7,299
Trust and investment management	**1,595**	1,532	1,435
Investment banking (1)	**(13)**	(16)	(14)
Total trust and investment fees	**10,437**	9,649	8,720
Card fees	**4**	4	1
Other fees	**16**	19	18
Mortgage banking	**1**	(24)	(38)
Insurance	**176**	125	118
Net gains from trading activities	**155**	171	151
Net gains on debt securities	**5**	3	5
Net gains from equity investments	**13**	14	99
Other income of the segment	**214**	337	300
Total noninterest income	**11,039**	10,315	9,392
Total revenue	**14,218**	13,203	12,160
Provision (reversal of provision) for credit losses	**(50)**	(16)	125
Noninterest expense:			
Personnel expense	**7,320**	7,093	6,544
Equipment	**51**	63	47
Net occupancy	**412**	399	404
Core deposit and other intangibles	**350**	382	420
FDIC and other deposit assessments	**127**	136	236
Outside professional services	**491**	412	388
Operating losses	**93**	90	29
Other expense of the segment	**2,063**	1,880	1,825
Total noninterest expense	**10,907**	10,455	9,893
Income before income tax expense and noncontrolling interest	**3,361**	2,764	2,142
Income tax expense	**1,276**	1,050	814
Net income from noncontrolling interest	**2**	2	—
Net income	**$ 2,083**	1,712	1,328
Average loans	**$ 52.1**	46.1	42.7
Average core deposits	**154.9**	150.1	137.5

(1) Represents syndication and underwriting fees paid to Wells Fargo Securities which are offset in our Wholesale Banking segment.

Wealth, Brokerage and Retirement reported net income of $2.1 billion in 2014, up $371 million, or 22%, from 2013, which was up 29% from $1.3 billion in 2012. Net income growth in 2014 was driven by significant growth in noninterest income and net interest income. Growth in net income for 2013 was driven by higher noninterest income and lower provision for credit losses due to improved credit quality. Revenue of $14.2 billion in 2014 increased $1.0 billion from 2013, which was up 9% from $12.2 billion in 2012. The increase in revenue for both 2014 and 2013 was due to increases in both net interest income and noninterest income. Net interest income increased 10% in 2014 due to growth in investment portfolios and loan balances. Net interest income increased 4% in 2013 due to growth in loan balances and low-cost core deposits, partially offset by lower interest rates on the loan and investment portfolios.

Average loan balances of $52.1 billion in 2014 increased 13% from $46.1 billion in 2013, which was up 8% from $42.7 billion in 2012. Average core deposits in 2014 of $154.9 billion increased 3% from $150.1 billion in 2013, which was up 9% from $137.5 billion in 2012. Noninterest income increased 7% in 2014 from 2013, largely due to strong growth in asset-based fees from growth in assets under management primarily from net inflows and improved market performance, partially offset by lower brokerage transaction revenue. Noninterest income increased 10% in 2013 from 2012, largely due to strong growth in asset-based fees from improved market performance and growth in assets under management, partially offset by reduced securities gains in the brokerage business. Noninterest expense of $10.9 billion for 2014 was up 4% from $10.5 billion in 2013, which was up 6% from $9.9 billion in 2012. The increase in 2014 was predominantly due to increased broker commissions and higher non-personnel expenses. The increase in 2013 was predominantly due to higher personnel expenses, primarily reflecting increased broker commissions. The provision for credit losses improved for both 2014 and 2013, driven by lower net charge-offs and continued improvement in credit quality.

Balance Sheet Analysis

At December 31, 2014, our assets totaled $1.7 trillion, up $163.7 billion from December 31, 2013. The predominant areas of asset growth were in federal funds sold and other short-term investments, which increased $44.6 billion, investment securities, which increased $48.6 billion, loans, which increased $40.3 billion ($50.0 billion excluding the transfer of $9.7 billion of government guaranteed student loans to loans held for sale at June 30, 2014), and trading assets, which increased $15.4 billion. Deposit growth of $89.1 billion, an increase in long-term debt of $30.9 billion, total equity growth of $14.3 billion and an increase in short-term borrowings of $9.6 billion from December 31, 2013, were the predominant sources that funded our asset growth for 2014. Equity growth benefited from $14.7 billion in earnings net of dividends paid. The strength of our business model produced record earnings and continued internal capital generation as reflected in our capital ratios at December 31, 2014. Tier 1 capital as a percentage of total risk-weighted assets increased to 12.45%, total capital increased to 15.53%, Tier 1 leverage decreased to 9.45%, and Common Equity Tier 1 (General Approach) increased to 11.04% at December 31, 2014, compared with 12.33%, 15.43%, 9.60%, and 10.82%, respectively, at December 31, 2013.

The following discussion provides additional information about the major components of our balance sheet. Information regarding our capital and changes in our asset mix is included in the "Earnings Performance – Net Interest Income" and "Capital Management" sections and Note 26 (Regulatory and Agency Capital Requirements) to Financial Statements in this Report.

Investment Securities

Table 10: Investment Securities – Summary

	December 31, 2014			December 31, 2013		
(in millions)	**Amortized Cost**	**Net unrealized gain**	**Fair value**	Amortized Cost	Net unrealized gain (loss)	Fair value
Available-for-sale securities:						
Debt securities	**$ 247,747**	**6,019**	**253,766**	246,048	2,574	248,622
Marketable equity securities	**1,906**	**1,770**	**3,676**	2,039	1,346	3,385
Total available-for-sale securities	**249,653**	**7,789**	**257,442**	248,087	3,920	252,007
Held-to-maturity debt securities	**55,483**	**876**	**56,359**	12,346	(99)	12,247
Total investment securities (1)	**$ 305,136**	**8,665**	**313,801**	260,433	3,821	264,254

(1) Available-for-sale securities are carried on the balance sheet at fair value. Held-to-maturity securities are carried on the balance sheet at amortized cost.

Table 10 presents a summary of our investment securities portfolio, which increased $48.6 billion from December 31, 2013, predominantly due to purchases of U.S. Treasury securities. The total net unrealized gains on available-for-sale securities were $7.8 billion at December 31, 2014, up from net unrealized gains of $3.9 billion at December 31, 2013, due primarily to a decrease in long-term interest rates.

The size and composition of the investment securities portfolio is largely dependent upon the Company's liquidity and interest rate risk management objectives. Our business generates assets and liabilities, such as loans, deposits and long-term debt, which have different maturities, yields, re-pricing, prepayment characteristics and other provisions that expose us to interest rate and liquidity risk. The available-for-sale securities portfolio consists primarily of liquid, high quality U.S. Treasury and

federal agency debt, agency mortgage-backed securities (MBS), privately issued residential and commercial MBS, securities issued by U.S. states and political subdivisions, corporate debt securities, and highly rated collateralized loan obligations. Due to its highly liquid nature, the available-for-sale portfolio can be used to meet funding needs that arise in the normal course of business or due to market stress. Changes in our interest rate risk profile may occur due to changes in overall economic or market conditions, which could influence loan origination demand, prepayment speeds, or deposit balances and mix. In response, the available-for-sale securities portfolio can be rebalanced to meet the Company's interest rate risk management objectives. In addition to meeting liquidity and interest rate risk management objectives, the available-for-sale securities portfolio may provide yield enhancement over other short-term assets. See the "Risk Management - Asset/Liability Management" section in this Report for more information on liquidity and interest rate risk. The held-to-maturity securities portfolio consists of high quality U.S. Treasury debt, securities issued by U.S. states and political subdivisions, agency MBS, asset-backed securities (ABS) primarily collateralized by auto loans and leases, and collateralized loan obligations, where our intent is to hold these securities to maturity and collect the contractual cash flows. The held-to-maturity portfolio may also provide yield enhancement over short-term assets.

We analyze securities for other-than-temporary impairment (OTTI) quarterly or more often if a potential loss-triggering event occurs. Of the $322 million in OTTI write-downs recognized in earnings in 2014, $49 million related to debt securities and $3 million related to marketable equity securities, which are each included in available-for-sale securities. Another $270 million in OTTI write-downs was related to nonmarketable equity investments, which are included in other assets. For a discussion of our OTTI accounting policies and underlying considerations and analysis see Note 1 (Summary of Significant Accounting Policies) and Note 5 (Investment Securities) to Financial Statements in this Report.

At December 31, 2014, investment securities included $46.9 billion of municipal bonds, of which 91.7% were rated "A-" or better based predominantly on external and, in some cases, internal ratings. Additionally, some of the securities in our total municipal bond portfolio are guaranteed against loss by bond insurers. These guaranteed bonds are substantially all investment grade and were generally underwritten in accordance with our own investment standards prior to the determination to purchase, without relying on the bond insurer's guarantee in making the investment decision. Our municipal bond holdings are monitored as part of our ongoing impairment analysis.

The weighted-average expected maturity of debt securities available-for-sale was 6.2 years at December 31, 2014. Because 54% of this portfolio is MBS, the expected remaining maturity is shorter than the remaining contractual maturity because borrowers generally have the right to prepay obligations before the underlying mortgages mature. The estimated effects of a 200 basis point increase or decrease in interest rates on the fair value and the expected remaining maturity of the MBS available-for-sale portfolio are shown in Table 11.

Table 11: Mortgage-Backed Securities

(in billions)	Fair value	Net unrealized gain (loss)	Expected remaining maturity (in years)
At December 31, 2014			
Actual	136.4	4.1	4.4
Assuming a 200 basis point:			
Increase in interest rates	124.8	(7.5)	6.5
Decrease in interest rates	140.4	8.1	2.5

The weighted-average expected maturity of debt securities held-to-maturity was 6.5 years at December 31, 2014. See Note 5 (Investment Securities) to Financial Statements in this Report for a summary of investment securities by security type.

Loan Portfolio

Total loans were $862.6 billion at December 31, 2014, up 5% from December 31, 2013. Table 12 provides a summary of total outstanding loans by non-strategic/liquidating and core loan portfolios. The decrease in the non-strategic/liquidating portfolios was $20.1 billion, while loans in the core portfolio grew $60.3 billion from December 31, 2013. Our core loan growth during 2014 included:

- a $38.6 billion increase in commercial loans, reflecting broad-based growth in our portfolios, including $6.5 billion from the financing related to the sale of government guaranteed student loans out of loans held for sale in fourth quarter 2014. For additional information on the government guaranteed student loan sale, see Note 8 (Securitizations and Variable Interest Entities) to Financial Statements in this Report; and
- a $21.7 billion increase in consumer loans, predominantly from growth in the nonconforming mortgage, automobile, credit card and other revolving credit and installment loan portfolios, partially offset by a decrease in the real estate 1-4 family junior lien mortgage portfolio and the transfer of the government guaranteed student loan portfolio to loans held for sale at the end of second quarter 2014. The increase in consumer loans also included the acquisition of an existing private label and co-branded credit card loan portfolio in fourth quarter 2014 in connection with the new Dillard's program agreement.

Additional information on the non-strategic and liquidating loan portfolios is included in Table 17 in the "Risk Management – Credit Risk Management" section in this Report.

Table 12: Loan Portfolios

	December 31, 2014			December 31, 2013		
(in millions)	**Core**	**Liquidating**	**Total**	Core	Liquidating	Total
Commercial	**$ 413,701**	**1,125**	**414,826**	375,077	2,013	377,090
Consumer	**388,062**	**59,663**	**447,725**	366,343	78,853	445,196
Total loans	**801,763**	**60,788**	**862,551**	741,420	80,866	822,286
Change from prior year	**$ 60,343**	**(20,078)**	**40,265**	37,631	(13,696)	23,935

A discussion of average loan balances and a comparative detail of average loan balances is included in Table 5 under "Earnings Performance – Net Interest Income" earlier in this Report. Additional information on total loans outstanding by portfolio segment and class of financing receivable is included in the "Risk Management – Credit Risk Management" section in this Report. Period-end balances and other loan related information are in Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

Table 13 shows contractual loan maturities for loan categories normally not subject to regular periodic principal reduction and sensitivities of those loans to changes in interest rates.

Table 13: Maturities for Selected Commercial Loan Categories

	December 31, 2014				December 31, 2013			
(in millions)	**Within one year**	**After one year through five years**	**After five years**	**Total**	Within one year	After one year through five years	After five years	Total
Selected loan maturities:								
Commercial and industrial	**$ 76,216**	**172,801**	**22,778**	**271,795**	71,921	140,430	23,007	235,358
Real estate mortgage	**17,485**	**61,092**	**33,419**	**111,996**	20,028	62,965	29,434	112,427
Real estate construction	**6,079**	**11,312**	**1,337**	**18,728**	6,207	9,282	1,445	16,934
Total selected loans	**$ 99,780**	**245,205**	**57,534**	**402,519**	98,156	212,677	53,886	364,719
Distribution of loans to changes in interest rates:								
Loans at fixed interest rates	**$ 15,574**	**25,429**	**20,002**	**61,005**	14,802	23,846	14,690	53,338
Loans at floating/variable interest rates	**84,206**	**219,776**	**37,532**	**341,514**	83,354	188,831	39,196	311,381
Total selected loans	**$ 99,780**	**245,205**	**57,534**	**402,519**	98,156	212,677	53,886	364,719

Deposits

Deposits totaled $1.2 trillion at December 31, 2014, compared with $1.1 trillion at December 31, 2013. Table 14 provides additional information regarding deposits. Deposit growth of $89.1 billion from December 31, 2013 reflected continued customer-driven growth as well as liquidity-related issuances of term deposits. Information regarding the impact of deposits on net interest income and a comparison of average deposit balances is provided in "Earnings Performance – Net Interest Income" and Table 5 earlier in this Report. Total core deposits were $1.1 trillion at December 31, 2014, up $74.3 billion from $980.1 billion at December 31, 2013.

Table 14: Deposits

($ in millions)	Dec 31, 2014	% of total deposits	Dec 31, 2013	% of total deposits	% Change
Noninterest-bearing	**$ 321,962**	**27%**	$ 288,116	27%	12
Interest-bearing checking	**41,713**	**4**	37,346	3	12
Market rate and other savings	**585,530**	**50**	556,763	52	5
Savings certificates	**35,354**	**3**	41,567	4	(15)
Foreign deposits (1)	**69,789**	**6**	56,271	5	24
Core deposits	**1,054,348**	**90**	980,063	91	8
Other time and savings deposits	**76,322**	**7**	64,477	6	18
Other foreign deposits	**37,640**	**3**	34,637	3	9
Total deposits	**$1,168,310**	**100%**	$ 1,079,177	100%	8

(1) Reflects Eurodollar sweep balances included in core deposits.

Equity

Total equity was $185.3 billion at December 31, 2014 compared with $171.0 billion at December 31, 2013. The increase was predominantly driven by a $14.7 billion increase in retained earnings from earnings net of dividends paid and a $2.1 billion increase in cumulative other comprehensive income (OCI). The increase in OCI was substantially due to a $3.9 billion ($2.4 billion after tax) increase in net unrealized gains on our investment securities portfolio resulting from a decrease in long-term interest rates. See Note 5 (Investment Securities) to Financial Statements in this Report for additional information.

Off-Balance Sheet Arrangements

In the ordinary course of business, we engage in financial transactions that are not recorded on the balance sheet, or may be recorded on the balance sheet in amounts that are different from the full contract or notional amount of the transaction. Our off-balance sheet arrangements include commitments to lend, transactions with unconsolidated entities, guarantees, derivatives, and other commitments. These transactions are designed to (1) meet the financial needs of customers, (2) manage our credit, market or liquidity risks, and/or (3) diversify our funding sources.

Commitments to Lend and Purchase Securities

We enter into commitments to lend funds to customers, which are usually at a stated interest rate, if funded, and for specific purposes and time periods. When we make commitments, we are exposed to credit risk. However, the maximum credit risk for these commitments will generally be lower than the contractual amount because a significant portion of these commitments are not expected to be fully used or will expire without being used by the customer. For more information on lending commitments, see Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report. We also enter into commitments to purchase securities under resale agreements. For more information on these commitments, see Note 4 (Federal Funds Sold, Securities Purchased under Resale Agreements and Other Short-Term Investments) to Financial Statements in this Report.

Transactions with Unconsolidated Entities

We routinely enter into various types of on- and off-balance sheet transactions with special purpose entities (SPEs), which are corporations, trusts or partnerships that are established for a limited purpose. Generally, SPEs are formed in connection with securitization transactions. For more information on securitizations, including sales proceeds and cash flows from securitizations, see Note 8 (Securitizations and Variable Interest Entities) to Financial Statements in this Report.

Guarantees and Certain Contingent Arrangements

Guarantees are contracts that contingently require us to make payments to a guaranteed party based on an event or a change in an underlying asset, liability, rate or index. Guarantees are generally in the form of standby letters of credit, securities lending and other indemnifications, written put options, recourse obligations for loans and mortgages sold, and other types of arrangements.

For more information on guarantees and certain contingent arrangements, see Note 14 (Guarantees, Pledged Assets and Collateral) to Financial Statements in this Report.

Derivatives

We primarily use derivatives to manage exposure to market risk, including interest rate risk, credit risk and foreign currency risk, and to assist customers with their risk management objectives. Derivatives are recorded on the balance sheet at fair value and volumes can be measured in terms of the notional amount, which is generally not exchanged, but is used only as the basis on which interest and other payments are determined. The notional amount is not recorded on the balance sheet and is not, when viewed in isolation, a meaningful measure of the risk profile of the instruments.

For more information on derivatives, see Note 16 (Derivatives) to Financial Statements in this Report.

Contractual Cash Obligations

In addition to the contractual commitments and arrangements previously described, which, depending on the nature of the obligation, may or may not require use of our resources, we enter into other contractual obligations that may require future cash payments in the ordinary course of business, including debt issuances for the funding of operations and leases for premises and equipment.

Table 15 summarizes these contractual obligations as of December 31, 2014, excluding the projected cash payments for obligations for short-term borrowing arrangements and pension and postretirement benefit plans. More information on those obligations is in Note 12 (Short-Term Borrowings) and Note 20 (Employee Benefits and Other Expenses) to Financial Statements in this Report.

Table 15: Contractual Cash Obligations

(in millions)	Note(s) to Financial Statements	Less than 1 year	1-3 years	3-5 years	More than 5 years	Indeterminate maturity	Total
Contractual payments by period:							
Deposits (1)	11	$ 103,409	13,275	4,411	3,785	1,043,430	1,168,310
Long-term debt (2)	7, 13	16,606	50,790	52,219	64,328	—	183,943
Interest (3)		2,455	3,568	2,394	10,063	—	18,480
Operating leases	7	1,148	1,937	1,449	2,521	—	7,055
Unrecognized tax obligations	21	50	—	—	—	2,932	2,982
Commitments to purchase debt and equity securities (4)		1,300	2	—	—	—	1,302
Purchase and other obligations (5)		493	461	83	10	—	1,047
Total contractual obligations		$ 125,461	70,033	60,556	80,707	1,046,362	1,383,119

(1) Includes interest-bearing and noninterest-bearing checking, and market rate and other savings accounts.
(2) Balances are presented net of unamortized debt discounts and premiums and purchase accounting adjustments.
(3) Represents the future interest obligations related to interest-bearing time deposits and long-term debt in the normal course of business including a net reduction of $27 billion related to hedges used to manage interest rate risk. These interest obligations assume no early debt redemption. We estimated variable interest rate payments using December 31, 2014, rates, which we held constant until maturity. We have excluded interest related to structured notes where our payment obligation is contingent on the performance of certain benchmarks.
(4) Includes unfunded commitments to purchase debt and equity investments, excluding trade date payables, of $1.1 billion and $197 million, respectively. Our unfunded equity commitments include certain investments subject to the Volcker Rule, which we expect to divest in the near future. For additional information regarding the Volcker Rule, see the "Regulatory Reform" section in this Report. We have presented our contractual obligations on equity investments above in the maturing in less than one year category as there are no specified contribution dates in the agreements. These obligations may be requested at any time by the investment manager.
(5) Represents agreements to purchase goods or services.

We are subject to the income tax laws of the U.S., its states and municipalities, and those of the foreign jurisdictions in which we operate. We have various unrecognized tax obligations related to these operations that may require future cash tax payments to various taxing authorities. Because of their uncertain nature, the expected timing and amounts of these payments generally are not reasonably estimable or determinable. We attempt to estimate the amount payable in the next 12 months based on the status of our tax examinations and settlement discussions. See Note 21 (Income Taxes) to Financial Statements in this Report for more information.

Transactions with Related Parties

The Related Party Disclosures topic of the Accounting Standards Codification (ASC) requires disclosure of material related party transactions, other than compensation arrangements, expense allowances and other similar items in the ordinary course of business. We had no related party transactions required to be reported for the years ended December 31, 2014, 2013 and 2012.

Financial institutions must manage a variety of business risks that can significantly affect their financial performance. Among the key risks that we must manage are operational risks, credit risks, and asset/liability management risks, which include interest rate, market, and liquidity and funding risks. Our risk culture is strongly rooted in our *Vision and Values*, and in order to succeed in our mission of satisfying all our customers' financial needs and helping them succeed financially, our business practices and operating model must support prudent risk management practices.

Risk Management Framework and Culture

The key elements of our risk management framework and culture include the following:

- **We strongly believe in managing risk as close to the source as possible**. We manage risk through three lines of defense, and the first line of defense is our team members in our lines of business who are responsible for identifying, assessing, monitoring, managing, mitigating, and owning the risks in their businesses. All of our team members have accountability for risk management.
- **We recognize the importance of strong oversight**. Our Corporate Risk group, led by our Chief Risk Officer who reports to the Board's Risk Committee, as well as other corporate functions such as the Law Department, Corporate Controllers, and the Human Resources Department serve as the second line of defense and provide company-wide leadership, oversight, an enterprise view, and appropriate challenge to help ensure effective and consistent understanding and management of all risks by our lines of business. Wells Fargo Audit Services, led by our Chief Auditor who reports to the Board's Audit and Examination Committee, serves as the third line of defense and through its audit, assurance, and advisory work evaluates and helps improve the effectiveness of the governance, risk management, and control processes across the enterprise.
- **We have a significant bias for conservatism**. We strive to maintain a conservative financial position measured by satisfactory asset quality, capital levels, funding sources, and diversity of revenues. Our risk is distributed by geography, product type, industry segment, and asset class, and while we want to grow the Company, we will attempt to do so in a way that supports our long-term goals and does not compromise our ability to manage risk.
- **We have a long-term customer focus**. Our focus is on knowing our customers and meeting our customers' long-term financial needs by offering products and value-added services that are appropriate for their needs and circumstances. In addition, our team members are committed to operational excellence, and we recognize that our infrastructure, systems, processes, and compliance programs must support the financial success of our customers through a superior customer service experience.
- **We must understand and follow our risk appetite**. Our risk management framework is based on understanding and following our overall enterprise statement of risk appetite, which describes the nature and level of risks that we are willing to take to achieve our strategic and business objectives. This statement provides the philosophical underpinnings that guide business and risk leaders as they manage risk on a day-to-day basis. Our CEO and Operating Committee, which consists of our Chief Risk Officer and other senior executives, develop our enterprise statement of risk appetite in the context of our risk management framework and culture described above. The Board approves our statement of risk appetite annually, and the Board's Risk Committee reviews and approves any proposed changes to the statement to help ensure that it remains consistent with our risk profile.

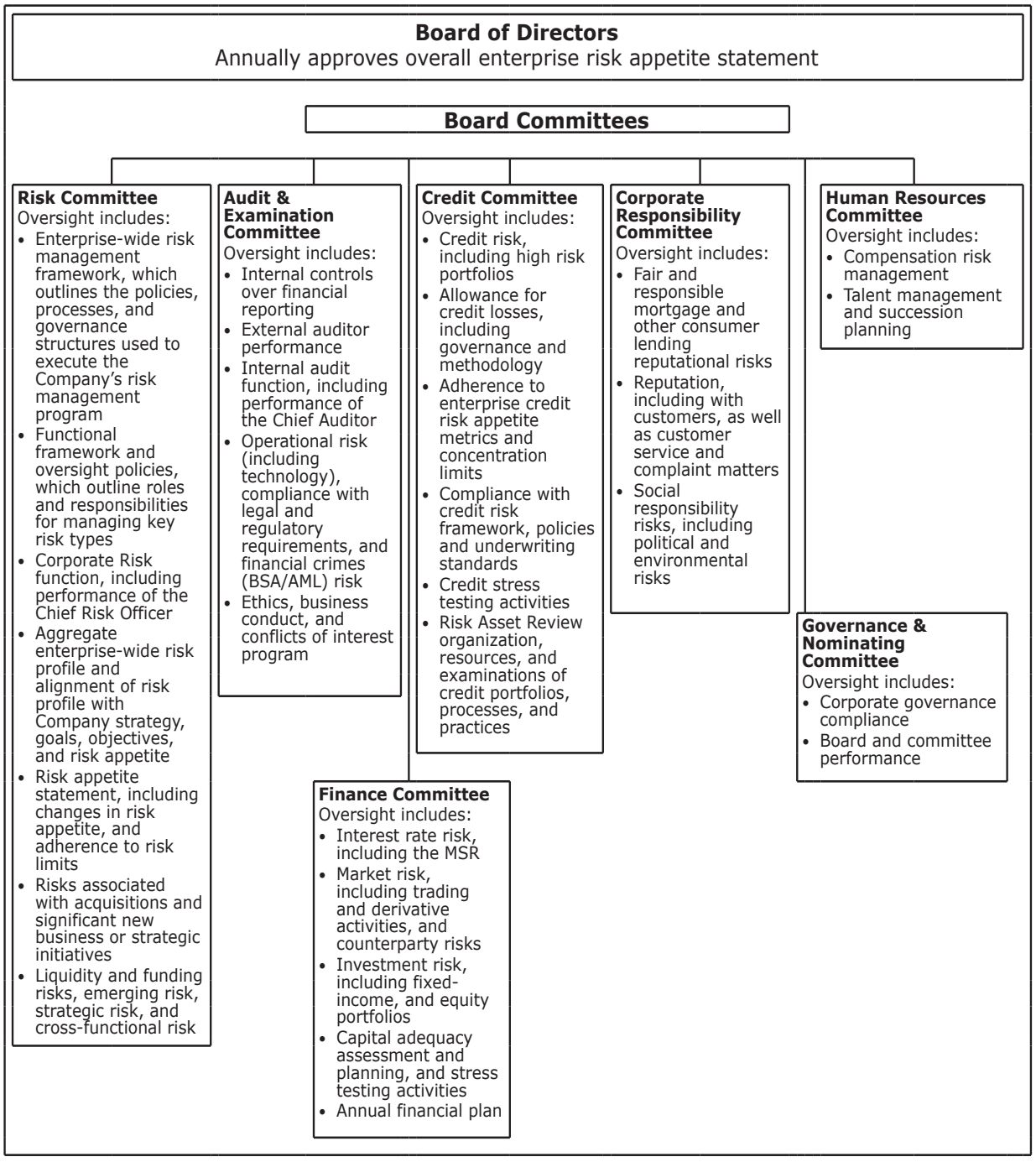
As part of our review of our risk appetite, we maintain metrics along with associated objectives to measure and monitor the amount of risk that the Company is prepared to take. Actual results of these metrics are reported to the Enterprise Risk Management Committee on a quarterly basis as well as to the Risk Committee of the Board. Our operating segments also have business-specific risk appetite statements based on the enterprise statement of risk appetite. The metrics included in the operating segment statements are harmonized with the enterprise level metrics to ensure consistency where appropriate. Business lines also maintain metrics and qualitative statements that are unique to their line of business. This allows for monitoring of risk and definition of risk appetite deeper within the organization.

Our risk culture seeks to promote proactive risk management and puts the customer first by implementing an ongoing program of training, performance management, and regular communication. Our risk culture also depends on the "tone at the top" set by our Board, CEO, and Operating Committee members. The Board and the Operating Committee are the starting point for establishing and reinforcing our risk culture and have overall and ultimate responsibility to provide oversight for the three lines of defense and the risks we take. The Board and the Operating Committee carry out their oversight through governance committees with specific risk management responsibilities described below.

Board Oversight of Risk

The Board allocates its oversight responsibilities across its seven standing committees, all of which report to the full Board. Each Board committee has defined authorities and responsibilities for considering a specific set of risk issues, as outlined in each of their charters and as summarized on the following chart, and works closely with management to understand and oversee the Company's key risk exposures. Allocating risk responsibilities among each Board level committee increases the overall amount of attention devoted to risk management. The Risk Committee serves as a focal point for enterprise-wide risk issues, overseeing all key risks facing the Company, and supports and assists the other six Board level committees as they consider their specific risk issues. To ensure that the Risk Committee does not duplicate the risk oversight efforts of other Board committees, the Risk Committee includes the Chairs of each of the Board's other standing committees to provide a comprehensive perspective on risk across the Company and across all individual risk types. In addition to providing a forum for risk issues at the Board level, the Risk Committee plays an active role in approving and overseeing the Company's enterprise-wide risk management framework established by management to manage risk, and the functional framework and oversight policies established by

management for each key risk type. The Risk Committee also reviews and approves the enterprise statement of risk appetite and the enterprise-wide limit structure, and actively monitors the risk profile relative to the approved risk appetite.



Management Oversight of Risk

In addition to the Board level committees that consider risk issues, the Company has established several management-level governance committees (governance committees) to support Wells Fargo leaders in carrying out their responsibilities to manage risk on a daily basis. Each governance committee has a defined set of authorities and responsibilities specific to a single risk type or set of risk types. Accordingly, risk governance committees are responsible for making decisions on risk issues in line with each committee's authorities, or escalating issues up the committee structure for further consideration.

The Enterprise Risk Management Committee, chaired by the Wells Fargo Chief Risk Officer, oversees the management of all types of risk across the Company. The Enterprise Risk Management Committee reports into and escalates matters directly to the Board's Risk Committee, and as such serves as the focal point for risk governance and monitoring at the management level. The Enterprise Risk Management Committee is responsible for monitoring and evaluating the Company's risk profile relative to its risk appetite across risk types, businesses, and activities; providing active oversight of risk mitigation and the adequacy of risk management resources, skills, and capabilities across the enterprise; reporting periodically to senior management and the Board on the most significant current and emerging risks, risk management issues, initiatives, and concerns; and addressing key risk issues which are escalated to it by its members or its reporting committees.

A number of governance committees that are responsible for issues specific to an individual risk type report into the Enterprise Risk Management Committee, including the Market Risk Committee, the Corporate Model Risk Committee, the Counterparty Credit Risk Committee, the Operational Risk Management Committee, the Regulatory Compliance Risk Management Committee, the BSA/AML (Financial Crimes) Risk Committee, the International Oversight Committee, and the Legal Entity Governance Committee. Certain of these governance committees have dual escalation and/or informational reporting paths to the Board level committee primarily responsible for the oversight of the specific risk type.

The Market Risk Committee is responsible for addressing key market risk management issues related to the Company's trading, hedging, market-making, and investment activities. The Corporate Model Risk Committee assists in evaluating and managing the Company's exposure to model risk and conducts oversight of the model risk management processes. The Counterparty Credit Risk Committee provides broad oversight of Wells Fargo's counterparty risk-taking activities and issuer concentration risk. The Operational Risk Management Committee's primary responsibility is to understand operational risk issues and concerns and work with management across the Company to ensure risks are managed effectively. The mandates of the Regulatory Compliance Risk Management Committee and the BSA/AML (Financial Crimes) Risk Committee are to provide forums through which material regulatory compliance and BSA/AML risks of the Company, respectively, are appropriately identified, communicated, escalated, and managed within the Company's corresponding risk management frameworks.

The International Oversight Committee provides broad oversight of the Company's foreign risk exposure to ensure it is consistent with the overall risk appetite of the Company. The Legal Entity Governance Committee provides executive leadership and oversight of the legal entity lifecycle framework and related corporate policies.

While the Enterprise Risk Management Committee and the committees that report to it serve as the focal point for the management of enterprise-wide risk issues, the management of specific risk types is supported by additional management-level governance committees. These committees include the SOX Disclosure Committee, the Regulatory Reporting Oversight Committee, the Capital Reporting Sub-committee, which all report to the Board's Audit & Examination Committee; the Stress Testing Committee, the Corporate Asset and Liability Committee, the Economic Scenario Approval Committee, which all report to the Board's Finance Committee; the Allowance for Credit Losses Approval Committee, which reports to the Board's Credit Committee; and the Incentive Compensation Committee and the Employee Benefit Review Committee, which both report to the Board's Human Resources Committee.

These committees help management facilitate enterprise-wide understanding and monitoring of risks and challenges faced by the Company. Management's corporate risk organization, which is part of the second line of defense, is headed by the Company's Chief Risk Officer who, among other things, provides oversight, opines on the performance and strategy of all risks taken by the businesses, and provides credible challenge to risks incurred. The Chief Risk Officer, as well as the Chief Enterprise, Credit, Market, Compliance, Operational, Information Security and Financial Crimes Risk Officers as his or her direct reports, work closely with the Board's committees and frequently provide reports and updates to the committees and the committee chairs on risk issues during and outside of regular committee meetings, as appropriate. The full Board receives reports at each of its meetings from the committee chairs about committee activities, including risk oversight matters, and receives a quarterly report from the Enterprise Risk Management Committee regarding current or emerging risk issues.

Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal controls and processes, people and systems, or resulting from external events. These losses may be caused by events such as fraud, breaches of customer privacy, business disruptions, inappropriate employee behavior, vendors that do not perform their responsibilities and regulatory fines and penalties.

To address these risks, Wells Fargo maintains an operational risk management framework that includes the following objectives:

- Provide a structured approach for identifying, measuring, managing, reporting, and monitoring operational risks across all areas of Wells Fargo;
- Understand operational risk across the Company by establishing and maintaining an effective operational risk management program;
- Adequately control operational risk-related losses;
- Establish and hold an appropriate level of capital for such losses in accordance with regulatory guidance; and
- Support the Board as it carries out its oversight duties and responsibilities relating to management's establishment of an effective operational risk management program.

Wells Fargo's operational risk management program seeks to accomplish these objectives by managing operational risk across the Company in a comprehensive, interconnected, and consistent manner, in line with the enterprise statement of risk appetite and relevant regulatory requirements.

The Audit & Examination Committee of the Board (A&E Committee) has primary responsibility for oversight of operational risk. In this capacity it reviews and approves the operational risk management framework and significant supporting risk policies and programs, including the Company's business continuity, information security, and third party risk management policies and programs. The A&E Committee periodically reviews updates from management on the state of operational risk and the general condition of operational risk management in the Company.

At the management level, the Operational Risk Management Committee oversees operational risk management across the Company and informs and advises the Chief Operational Risk Officer on matters that affect the Company's operational risk profile.

Information security is a significant operational risk for financial institutions such as Wells Fargo, and includes the risk of losses resulting from cyber attacks. Wells Fargo and other financial institutions continue to be the target of various evolving and adaptive cyber attacks, including malware and denial-of-service, as part of an effort to disrupt the operations of financial institutions, potentially test their cybersecurity capabilities, or obtain confidential, proprietary or other information. Wells Fargo has not experienced any material losses relating to these or other cyber attacks. Addressing cybersecurity risks is a priority for Wells Fargo, and we continue to develop and enhance our controls, processes and systems in order to protect our networks, computers, software and data from attack, damage or unauthorized access. We are also proactively involved in industry cybersecurity efforts and working with other parties, including our third-party service providers and governmental agencies, to continue to enhance defenses and improve resiliency to cybersecurity threats. See the "Risk Factors" section in this Report for additional information regarding the risks associated with a failure or breach of our operational or security systems or infrastructure, including as a result of cyber attacks.

Credit Risk Management

We define credit risk as the risk of loss associated with a borrower or counterparty default (failure to meet obligations in accordance with agreed upon terms). Credit risk exists with many of our assets and exposures such as debt security holdings, certain derivatives, and loans. The following discussion focuses on our loan portfolios, which represent the largest component of assets on our balance sheet for which we have credit risk. Table 16 presents our total loans outstanding by portfolio segment and class of financing receivable.

Table 16: Total Loans Outstanding by Portfolio Segment and Class of Financing Receivable

(in millions)	Dec 31, 2014	Dec 31, 2013
Commercial:		
Commercial and industrial	**$ 271,795**	235,358
Real estate mortgage	**111,996**	112,427
Real estate construction	**18,728**	16,934
Lease financing	**12,307**	12,371
Total commercial	**414,826**	377,090
Consumer:		
Real estate 1-4 family first mortgage	**265,386**	258,507
Real estate 1-4 family junior lien mortgage	**59,717**	65,950
Credit card	**31,119**	26,882
Automobile	**55,740**	50,808
Other revolving credit and installment	**35,763**	43,049
Total consumer	**447,725**	445,196
Total loans	**$ 862,551**	822,286

We manage our credit risk by establishing what we believe are sound credit policies for underwriting new business, while monitoring and reviewing the performance of our existing loan portfolios. We employ various credit risk management and monitoring activities to mitigate risks associated with multiple risk factors affecting loans we hold, could acquire or originate including:

- Loan concentrations and related credit quality
- Counterparty credit risk
- Economic and market conditions
- Legislative or regulatory mandates
- Changes in interest rates
- Merger and acquisition activities
- Reputation risk

Our credit risk management oversight process is governed centrally, but provides for decentralized management and accountability by our lines of business. Our overall credit process includes comprehensive credit policies, disciplined credit underwriting, frequent and detailed risk measurement and modeling, extensive credit training programs, and a continual loan review and audit process.

A key to our credit risk management is adherence to a well-controlled underwriting process, which we believe is appropriate for the needs of our customers as well as investors who purchase the loans or securities collateralized by the loans.

Credit Quality Overview Credit quality continued to improve during 2014 due in part to improving economic conditions, in particular the housing market, as well as our proactive credit risk management activities. The improvement occurred for both commercial and consumer portfolios as evidenced by their credit metrics:

- Nonaccrual loans decreased to $2.2 billion and $10.6 billion in our commercial and consumer portfolios, respectively, at December 31, 2014, from $3.5 billion and $12.2 billion at December 31, 2013. Nonaccrual loans represented 1.49% of total loans at December 31, 2014, compared with 1.91% at December 31, 2013.
- Net charge-offs as a percentage of average total loans improved to 0.35% in 2014 compared with 0.56% a year ago and were 0.01% and 0.65% in our commercial and consumer portfolios, respectively, compared with 0.06% and 0.98% in 2013.
- Loans that are not government insured/guaranteed and 90 days or more past due and still accruing decreased to $47 million and $873 million in our commercial and consumer portfolios, respectively, at December 31, 2014, from $143 million and $902 million at December 31, 2013.

In addition to credit metric improvements, we continued to see improvement in various economic indicators such as home prices that influenced our evaluation of the allowance and provision for credit losses. Accordingly:

- Our provision for credit losses decreased to $1.4 billion in 2014 from $2.3 billion in 2013.
- The allowance for credit losses decreased to $13.2 billion or 1.53% of total loans, at December 31, 2014 from $15.0 billion or 1.82% of total loans, at December 31, 2013.

Additional information on our loan portfolios and our credit quality trends follows.

Non-Strategic and Liquidating Loan Portfolios We continually evaluate and, when appropriate, modify our credit policies to address appropriate levels of risk. We may designate certain portfolios and loan products as non-strategic or liquidating after which we cease their continued origination and actively work to limit losses and reduce our exposures.

Table 17 identifies our non-strategic and liquidating loan portfolios. They consist primarily of the Pick-a-Pay mortgage portfolio and PCI loans acquired from Wachovia, certain portfolios from legacy Wells Fargo Home Equity and Wells Fargo Financial, and our education finance government guaranteed loan portfolio. We transferred the government guaranteed student loan portfolio to loans held for sale at the end of second quarter 2014, and substantially all of the portfolio was sold as of December 31, 2014. The total balance of our non-strategic and liquidating loan portfolios has decreased 68% since the merger with Wachovia at December 31, 2008, and decreased 25% from the end of 2013.

Additional information regarding the liquidating PCI and Pick-a-Pay loan portfolios is provided in the discussion of loan portfolios that follows.

Table 17: Non-Strategic and Liquidating Loan Portfolios

		Outstanding balance	
	Dec 31,	Dec 31,	Dec 31,
(in millions)	**2014**	2013	2008
Commercial:			
Legacy Wachovia commercial and industrial and commercial real estate PCI loans (1)	**$ 1,125**	2,013	18,704
Total commercial	**1,125**	2,013	18,704
Consumer:			
Pick-a-Pay mortgage (1)(2)	**45,002**	50,971	95,315
Legacy Wells Fargo Financial debt consolidation	**11,417**	12,893	25,299
Liquidating home equity	**2,910**	3,695	10,309
Legacy Wachovia other PCI loans (1)	**300**	375	2,478
Legacy Wells Fargo Financial indirect auto	**34**	207	18,221
Education Finance - government insured (3)	**—**	10,712	20,465
Total consumer	**59,663**	78,853	172,087
Total non-strategic and liquidating loan portfolios	**$ 60,788**	80,866	190,791

(1) Net of purchase accounting adjustments related to PCI loans.
(2) Includes PCI loans of $21.5 billion, $23.8 billion and $37.6 billion at December 31, 2014, 2013 and 2008, respectively.
(3) The government guaranteed student loan portfolio was transferred to held for sale during 2014, and substantially all of the portfolio was sold as of December 31, 2014.

PURCHASED CREDIT-IMPAIRED (PCI) LOANS Loans acquired with evidence of credit deterioration since their origination and where it is probable that we will not collect all contractually required principal and interest payments are PCI loans. Substantially all of our PCI loans were acquired in the Wachovia acquisition on December 31, 2008. PCI loans are recorded at fair value at the date of acquisition, and the historical allowance for credit losses related to these loans is not carried over. The carrying value of PCI loans totaled $23.3 billion at December 31, 2014, down from $26.7 billion and $58.8 billion at December 31, 2013 and 2008, respectively. Such loans are considered to be accruing due to the existence of the accretable yield and not based on consideration given to contractual interest payments. The accretable yield at December 31, 2014, was $17.8 billion.

A nonaccretable difference is established for PCI loans to absorb losses expected on those loans at the date of acquisition. Amounts absorbed by the nonaccretable difference do not affect the income statement or the allowance for credit losses.

Substantially all commercial and industrial and commercial real estate (CRE) PCI loans are accounted for as individual loans. Conversely, Pick-a-Pay and other consumer PCI loans have been aggregated into pools based on common risk characteristics. Each pool is accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows.

Resolutions of loans may include sales to third parties, receipt of payments in settlement with the borrower, or foreclosure of the collateral. Our policy is to remove an individual PCI loan from a pool based on comparing the amount received from its resolution with its contractual amount. Any difference between these amounts is absorbed by the nonaccretable difference. This removal method assumes that the amount received from resolution approximates pool performance expectations. The accretable yield percentage is unaffected by the resolution and any changes in the effective yield for the remaining loans in the pool are addressed by our quarterly cash flow evaluation process for each pool. For loans that are resolved by payment in full, there is no release of the nonaccretable difference for the pool because there is no difference between the amount received at resolution and the contractual amount of the loan. Modified PCI loans are not removed from a pool even if those loans would otherwise be deemed TDRs. Modified PCI loans that are accounted for individually are TDRs, and removed from PCI accounting, if there has been a concession granted in excess of the original nonaccretable difference. We include these TDRs in our impaired loans.

During 2014, we recognized as income $61 million released from the nonaccretable difference related to commercial PCI loans due to payoffs and other resolutions. We also transferred $2.2 billion from the nonaccretable difference to the accretable yield for PCI loans with improving credit-related cash flows and recognized $31 million for recoveries of previous write-downs. Our cash flows expected to be collected have been favorably affected by lower than expected defaults and losses as a result of observed economic strengthening, particularly in housing prices, and by our loan modification efforts. Table 18 provides an analysis of changes in the nonaccretable difference.

Table 18: Changes in Nonaccretable Difference for PCI Loans

(in millions)	Commercial	Pick-a-Pay	Other consumer	Total
Balance, December 31, 2008	$ 10,410	26,485	4,069	40,964
Addition of nonaccretable difference due to acquisitions	195	—	—	195
Release of nonaccretable difference due to:				
Loans resolved by settlement with borrower (1)	(1,426)	—	—	(1,426)
Loans resolved by sales to third parties (2)	(303)	—	(85)	(388)
Reclassification to accretable yield for loans with improving credit-related cash flows (3)	(1,531)	(3,031)	(792)	(5,354)
Use of nonaccretable difference due to:				
Losses from loan resolutions and write-downs (4)	(6,923)	(17,222)	(2,882)	(27,027)
Balance, December 31, 2012	422	6,232	310	6,964
Addition of nonaccretable difference due to acquisitions	18	—	—	18
Release of nonaccretable difference due to:				
Loans resolved by settlement with borrower (1)	(86)	—	—	(86)
Loans resolved by sales to third parties (2)	(5)	—	—	(5)
Reclassification to accretable yield for loans with improving credit-related cash flows (3)	(74)	(866)	(31)	(971)
Use of nonaccretable difference due to:				
Losses from loan resolutions and write-downs (4)	(10)	(662)	(79)	(751)
Balance, December 31, 2013	**265**	**4,704**	**200**	**5,169**
Addition of nonaccretable difference due to acquisitions	**13**	**—**	**—**	**13**
Release of nonaccretable difference due to:				
Loans resolved by settlement with borrower (1)	**(33)**	**—**	**—**	**(33)**
Loans resolved by sales to third parties (2)	**(28)**	**—**	**—**	**(28)**
Reclassification to accretable yield for loans with improving credit-related cash flows (3)	**(129)**	**(2,094)**	**(20)**	**(2,243)**
Use of nonaccretable difference due to:				
Net recoveries (losses) from loan resolutions and write-downs (4)	**(15)**	**29**	**17**	**31**
Balance, December 31, 2014	**$ 73**	**2,639**	**197**	**2,909**

(1) Release of the nonaccretable difference for settlement with borrower, on individually accounted PCI loans, increases interest income in the period of settlement. Pick-a-Pay and Other consumer PCI loans do not reflect nonaccretable difference releases for settlements with borrowers due to pool accounting for those loans, which assumes that the amount received approximates the pool performance expectations.
(2) Release of the nonaccretable difference as a result of sales to third parties increases noninterest income in the period of the sale.
(3) Reclassification of nonaccretable difference to accretable yield will result in increased interest income as a prospective yield adjustment over the remaining life of the loan or pool of loans.
(4) Write-downs to net realizable value of PCI loans are absorbed by the nonaccretable difference when severe delinquency (normally 180 days) or other indications of severe borrower financial stress exist that indicate there will be a loss of contractually due amounts upon final resolution of the loan. Also includes foreign exchange adjustments related to underlying principal for which the nonaccretable difference was established.

Since December 31, 2008, we have released $10.5 billion in nonaccretable difference, including $8.6 billion transferred from the nonaccretable difference to the accretable yield and $1.9 billion released to income through loan resolutions. Also, we have provided $1.7 billion for losses on certain PCI loans or pools of PCI loans that have had credit-related decreases to cash flows expected to be collected. The net result is an $8.8 billion reduction from December 31, 2008, through December 31, 2014, in our initial projected losses of $41.0 billion on all PCI loans.

At December 31, 2014, the allowance for credit losses on certain PCI loans was $11 million. The allowance is to absorb credit-related decreases in cash flows expected to be collected and primarily relates to individual PCI commercial loans. Table 19 analyzes the actual and projected loss results on PCI loans since acquisition through December 31, 2014.

For additional information on PCI loans, see Note 1 (Summary of Significant Accounting Policies – Loans) and Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

Table 19: Actual and Projected Loss Results on PCI Loans Since Acquisition of Wachovia

(in millions)	Commercial	Pick-a-Pay	Other consumer	Total
Release of nonaccretable difference due to:				
Loans resolved by settlement with borrower (1)	$ 1,545	—	—	1,545
Loans resolved by sales to third parties (2)	336	—	85	421
Reclassification to accretable yield for loans with improving credit-related cash flows (3)	1,734	5,991	843	8,568
Total releases of nonaccretable difference due to better than expected losses	3,615	5,991	928	10,534
Provision for losses due to credit deterioration (4)	(1,629)	—	(104)	(1,733)
Actual and projected losses on PCI loans less than originally expected	$ 1,986	5,991	824	8,801

(1) Release of the nonaccretable difference for settlement with borrower, on individually accounted PCI loans, increases interest income in the period of settlement. Pick-a-Pay and Other consumer PCI loans do not reflect nonaccretable difference releases for settlements with borrowers due to pool accounting for those loans, which assumes that the amount received approximates the pool performance expectations.
(2) Release of the nonaccretable difference as a result of sales to third parties increases noninterest income in the period of the sale.
(3) Reclassification of nonaccretable difference to accretable yield will result in increased interest income as a prospective yield adjustment over the remaining life of the loan or pool of loans.
(4) Provision for additional losses is recorded as a charge to income when it is estimated that the cash flows expected to be collected for a PCI loan or pool of loans may not support full realization of the carrying value.

Significant Loan Portfolio Reviews Measuring and monitoring our credit risk is an ongoing process that tracks delinquencies, collateral values, FICO scores, economic trends by geographic areas, loan-level risk grading for certain portfolios (typically commercial) and other indications of credit risk. Our credit risk monitoring process is designed to enable early identification of developing risk and to support our determination of an appropriate allowance for credit losses. The following discussion provides additional characteristics and analysis of our significant portfolios. See Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report for more analysis and credit metric information for each of the following portfolios.

COMMERCIAL AND INDUSTRIAL LOANS AND LEASE FINANCING For purposes of portfolio risk management, we aggregate commercial and industrial loans and lease financing according to market segmentation and standard industry codes. We generally subject commercial and industrial loans and lease financing to individual risk assessment using our internal borrower and collateral quality ratings. Our ratings are aligned to regulatory definitions of pass and criticized categories with criticized divided between special mention, substandard, doubtful and loss categories.

The commercial and industrial loans and lease financing portfolio totaled $284.1 billion or 33% of total loans at December 31, 2014. The net charge-off rate for this portfolio was 0.10% in 2014 compared with 0.15% in 2013. At December 31, 2014, 0.20% of this portfolio was nonaccruing, compared with 0.32% at December 31, 2013. In addition, $16.7 billion of this portfolio was rated as criticized in accordance with regulatory guidance at December 31, 2014, compared with $17.5 billion at December 31, 2013.

A majority of our commercial and industrial loans and lease financing portfolio is secured by short-term assets, such as accounts receivable, inventory and securities, as well as long-lived assets, such as equipment and other business assets. Generally, the collateral securing this portfolio represents a secondary source of repayment.

Table 20 provides a breakout of commercial and industrial loans and lease financing by industry, and includes $45.0 billion of foreign loans at December 31, 2014, that were reported in a separate foreign loan class in prior periods. Foreign loans totaled $14.9 billion within the investors category, $18.1 billion within the financial institutions category and $1.3 billion within the oil and gas category.

The investors category includes loans to special purpose vehicles (SPVs) formed by sponsoring entities to invest in financial assets backed predominantly by commercial and residential real estate or corporate cash flow, and are repaid from the asset cash flows or the sale of assets by the SPV. We limit loan amounts to a percentage of the value of the underlying assets, as determined by us, based primarily on analysis of underlying credit risk and other factors such as asset duration and ongoing performance.

The $18.1 billion of foreign loans in the financial institutions category were primarily originated by our Global Financial Institutions (GFI) business. GFI has relationships with over 1,500 financial institutions, many of which are headquartered outside the U.S., and for whom we provide a variety of relationship focused products and services, including loans supporting short-term trade finance and working capital needs.

Slightly more than half of our oil and gas loans were to businesses in the exploration and production (E&P) sector. Nearly all of these E&P loans are secured by oil and/or gas reserves and have underlying borrowing base arrangements which include regular (typically semi-annual) “redeterminations” that consider refinements to borrowing structure and prices used to determine borrowing limits. The remainder of the oil and gas loans were to midstream and services and equipment companies.

Table 20: Commercial and Industrial Loans and Lease Financing by Industry (1)

	December 31, 2014			
(in millions)	Nonaccrual loans	Total portfolio	(2)	% of total loans
Investors	$ 40	39,192		5%
Financial institutions	26	38,256		4
Oil and gas	76	18,410		2
Food and beverage	16	14,029		2
Real estate lessor	3	13,030		2
Cyclical retailers	24	12,971		2
Healthcare	26	12,914		1
Industrial equipment	4	12,898		1
Technology	9	8,320		1
Public administration	10	8,120		1
Transportation	3	7,184		1
Business services	27	7,018		1
Other	298	91,760	(3)	10
Total	$ 562	284,102		33%

(1) Industry categories are based on the North American Industry Classification System and the amounts reported include foreign loans, which were reported in a separate foreign loan class in prior periods. See Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report for a breakout of commercial foreign loans.
(2) Includes $75 million PCI loans, which are considered to be accruing due to the existence of the accretable yield and not based on consideration given to contractual interest payments.
(3) No other single category had loans in excess of $5.5 billion.

Risk mitigation actions, including the restructuring of repayment terms, securing collateral or guarantees, and entering into extensions, are based on a re-underwriting of the loan and our assessment of the borrower's ability to perform under the agreed-upon terms. Extension terms generally range from six to thirty-six months and may require that the borrower provide additional economic support in the form of partial repayment, or additional collateral or guarantees. In cases where the value of collateral or financial condition of the borrower is insufficient to repay our loan, we may rely upon the support of an outside repayment guarantee in providing the extension.

Our ability to seek performance under a guarantee is directly related to the guarantor's creditworthiness, capacity and willingness to perform, which is evaluated on an annual basis, or more frequently as warranted. Our evaluation is based on the most current financial information available and is focused on various key financial metrics, including net worth, leverage, and current and future liquidity. We consider the guarantor's reputation, creditworthiness, and willingness to work with us based on our analysis as well as other lenders' experience with the guarantor. Our assessment of the guarantor's credit strength is reflected in our loan risk ratings for such loans. The loan risk rating and accruing status are important factors in our allowance methodology.

In considering the accrual status of the loan, we evaluate the collateral and future cash flows as well as the anticipated support of any repayment guarantor. In many cases the strength of the guarantor provides sufficient assurance that full repayment of the loan is expected. When full and timely collection of the loan becomes uncertain, including the performance of the guarantor, we place the loan on nonaccrual status. As appropriate, we also charge the loan down in accordance with our charge-off policies, generally to the net realizable value of the collateral securing the loan, if any.

COMMERCIAL REAL ESTATE (CRE) We generally subject CRE loans to individual risk assessment using our internal borrower and collateral quality ratings. Our ratings are aligned to regulatory definitions of pass and criticized categories with criticized divided between special mention, substandard, doubtful and loss categories. The CRE portfolio, which included $5.0 billion of foreign CRE loans, totaled $130.7 billion, or 15%, of total loans at December 31, 2014, and consisted of $112.0 billion of mortgage loans and $18.7 billion of construction loans. Foreign loans were not reported in this category in prior periods, but in a separate foreign loan class. Table 21 summarizes CRE loans by state and property type with the related nonaccrual totals. The portfolio is diversified both geographically and by property type. The largest geographic concentrations of combined CRE loans are in California (28% of the total CRE portfolio), and in Texas and Florida (8% in each state). By property type, the largest concentrations are office buildings at 27% and apartments at 14% of the portfolio. CRE nonaccrual loans totaled 1.3% of the CRE outstanding balance at December 31, 2014, compared with 2.1% at December 31, 2013. At December 31, 2014, we had $7.9 billion of criticized CRE mortgage loans, down from $13.1 billion at December 31, 2013, and $949 million of criticized CRE construction loans, down from $2.1 billion at December 31, 2013.

At December 31, 2014, the recorded investment in PCI CRE loans totaled $1.4 billion, down from $12.3 billion when acquired at December 31, 2008, reflecting principal payments, loan resolutions and write-downs.

Table 21: CRE Loans by State and Property Type

										December 31, 2014
	Real estate mortgage			Real estate construction			Total			% of
(in millions)	Nonaccrual loans	Total portfolio	(1)	Nonaccrual loans	Total portfolio	(1)	Nonaccrual loans	Total portfolio	(1)	total loans
By state:										
California	$ 371	32,993		28	3,589		399	36,582		4%
Texas	96	8,641		—	1,735		96	10,376		1
Florida	182	7,942		8	1,892		190	9,834		1
New York	40	6,851		4	1,233		44	8,084		1
North Carolina	85	3,847		8	1,048		93	4,895		1
Arizona	77	3,646		1	402		78	4,048		*
Washington	32	3,227		1	603		33	3,830		*
Virginia	40	2,444		4	1,039		44	3,483		*
Georgia	104	3,048		28	427		132	3,475		*
Colorado	27	2,775		1	440		28	3,215		*
Other	436	36,582		104	6,320		540	42,902	(2)	5
Total	$ 1,490	111,996		187	18,728		1,677	130,724		15%
By property:										
Office buildings	$ 405	33,438		1	2,338		406	35,776		4%
Apartments	43	11,910		4	6,315		47	18,225		2
Industrial/warehouse	234	12,225		—	1,082		234	13,307		2
Retail (excluding shopping center)	183	12,100		2	866		185	12,966		2
Real estate - other	188	10,929		—	388		188	11,317		1
Hotel/motel	74	8,770		—	986		74	9,756		1
Shopping center	79	8,541		—	1,185		79	9,726		1
Institutional	70	3,168		—	432		70	3,600		*
Agriculture	33	2,370		—	24		33	2,394		*
Land (excluding 1-4 family)	3	114		32	2,253		35	2,367		*
Other	178	8,431		148	2,859		326	11,290		1
Total	$ 1,490	111,996		187	18,728		1,677	130,724		15%

* Less than 1%.
(1) Includes a total of $1.4 billion PCI loans, consisting of $1.3 billion of real estate mortgage and $171 million of real estate construction, which are considered to be accruing due to the existence of the accretable yield and not based on consideration given to contractual interest payments.
(2) Includes 40 states; no state had loans in excess of $3.0 billion.

FOREIGN LOANS AND COUNTRY RISK EXPOSURE We classify loans for financial statement and certain regulatory purposes as foreign primarily based on whether the borrower's primary address is outside of the United States. At December 31, 2014, foreign loans totaled $50.6 billion, representing approximately 6% of our total consolidated loans outstanding, compared with $47.6 billion, or approximately 6% of total consolidated loans outstanding, at December 31, 2013. Foreign loans were approximately 3% of our consolidated total assets at December 31, 2014 and at December 31, 2013.

Our foreign country risk monitoring process incorporates frequent dialogue with our financial institution customers, counterparties and regulatory agencies, enhanced by centralized monitoring of macroeconomic and capital markets conditions in the respective countries. We establish exposure limits for each country through a centralized oversight process based on customer needs, and in consideration of relevant economic, political, social, legal, and transfer risks. We monitor exposures closely and adjust our country limits in response to changing conditions.

We evaluate our individual country risk exposure on an ultimate country of risk basis, which is normally based on the country of residence of the guarantor or collateral location, and is different from the reporting based on the borrower's primary address. Our largest single foreign country exposure on an ultimate risk basis at December 31, 2014, was the United Kingdom, which totaled $21.1 billion, or approximately 1% of our total assets, and included $5.0 billion of sovereign claims. Our United Kingdom sovereign claims arise primarily from deposits we have placed with the Bank of England pursuant to regulatory requirements in support of our London branch.

We conduct periodic stress tests of our significant country risk exposures, analyzing the direct and indirect impacts on the risk of loss from various macroeconomic and capital markets scenarios. We do not have significant exposure to foreign country risks because our foreign portfolio is relatively small. However, we have identified exposure to increased loss from U.S. borrowers associated with the potential impact of a regional or worldwide economic downturn on the U.S. economy. We mitigate these potential impacts on the risk of loss through our normal risk management processes which include active monitoring and, if necessary, the application of aggressive loss mitigation strategies.

Table 22 provides information regarding our top 20 exposures by country (excluding the U.S.) and our Eurozone exposure, on an ultimate risk basis.

Table 22: Select Country Exposures

	Lending (1)		Securities (2)		Derivatives and other (3)		Total exposure		
(in millions)	Sovereign	Non-sovereign	Sovereign	Non-sovereign	Sovereign	Non-sovereign	Sovereign	Non-sovereign (4)	Total
December 31, 2014									
Top 20 country exposures:									
United Kingdom	$ 5,014	11,014	1	3,710	—	1,371	5,015	16,095	21,110
Canada	—	8,283	—	1,251	—	365	—	9,899	9,899
China	—	2,838	—	113	—	27	—	2,978	2,978
Brazil	—	2,645	4	28	—	4	4	2,677	2,681
Netherlands	—	2,262	—	268	—	37	—	2,567	2,567
France	—	882	—	1,145	—	343	—	2,370	2,370
Germany	94	1,323	60	599	—	137	154	2,059	2,213
Bermuda	—	1,937	—	65	—	26	—	2,028	2,028
India	—	1,625	—	121	—	—	—	1,746	1,746
Cayman Islands	—	1,588	—	—	—	26	—	1,614	1,614
Turkey	—	1,588	—	—	—	1	—	1,589	1,589
Switzerland	—	1,044	—	362	—	122	—	1,528	1,528
Luxembourg	—	1,391	—	95	—	9	—	1,495	1,495
Chile	—	1,426	—	23	—	33	—	1,482	1,482
Mexico	—	1,192	—	43	67	4	67	1,239	1,306
Ireland	53	1,101	—	104	—	16	53	1,221	1,274
Australia	22	641	—	558	—	36	22	1,235	1,257
South Korea	—	945	13	17	23	—	36	962	998
Jersey, C.I.	—	647	—	193	—	1	—	841	841
Spain	—	673	—	70	—	33	—	776	776
Total top 20 country exposures	$ 5,183	45,045	78	8,765	90	2,591	5,351	56,401	61,752
Eurozone exposure:									
Eurozone countries included in Top 20 above (5)	$ 147	7,632	60	2,281	—	575	207	10,488	10,695
Austria	77	396	—	—	—	—	77	396	473
Italy	—	206	—	73	—	6	—	285	285
Belgium	—	103	—	19	—	9	—	131	131
Other Eurozone countries (6)	—	37	—	38	—	2	—	77	77
Total Eurozone exposure	$ 224	8,374	60	2,411	—	592	284	11,377	11,661

(1) Lending exposure includes funded loans and unfunded commitments, leveraged leases, and money market placements presented on a gross basis prior to the deduction of impairment allowance and collateral received under the terms of the credit agreements. For the countries listed above, includes $373 million in PCI loans, predominantly to customers in Jersey, C.I. and the Netherlands, and $1.8 billion in defeased leases secured largely by U.S. Treasury and government agency securities, or government guaranteed.

(2) Represents issuer exposure on cross-border debt and equity securities.

(3) Represents counterparty exposure on foreign exchange and derivative contracts, and securities resale and lending agreements. This exposure is presented net of counterparty netting adjustments and reduced by the amount of cash collateral. It includes credit default swaps (CDS) predominantly used to manage our U.S. and London-based cash credit trading businesses, which sometimes results in selling and purchasing protection on the identical reference entity. Generally, we do not use market instruments such as CDS to hedge the credit risk of our investment or loan positions, although we do use them to manage risk in our trading businesses. At December 31, 2014, the gross notional amount of our CDS sold that reference assets in the Top 20 or Eurozone countries was $3.3 billion, which was offset by the notional amount of CDS purchased of $3.4 billion. We did not have any CDS purchased or sold that reference pools of assets that contain sovereign debt or where the reference asset was solely the sovereign debt of a foreign country.

(4) For countries presented in the table, total non-sovereign exposure comprises $20.9 billion exposure to financial institutions and $36.4 billion to non-financial corporations at December 31, 2014.

(5) Consists of exposure to Netherlands, France, Germany, Luxembourg, Ireland and Spain included in Top 20.

(6) Includes non-sovereign exposure to Portugal in the amount of $67 million and less than $1 million each to Greece and Cyprus. We had no sovereign debt exposure to these countries at December 31, 2014.

REAL ESTATE 1-4 FAMILY FIRST AND JUNIOR LIEN MORTGAGE LOANS Our real estate 1-4 family first and junior lien mortgage loans primarily include loans we have made to customers and retained as part of our asset/liability management strategy. These loans, as presented in Table 23, include the Pick-a-Pay portfolio acquired from Wachovia, which is discussed later in this Report, and other purchased loans and loans included on our balance sheet as a result of consolidation of variable interest entities (VIEs).

Table 23: Real Estate 1-4 Family First and Junior Lien Mortgage Loans

	December 31, 2014		December 31, 2013	
(in millions)	Balance	% of portfolio	Balance	% of portfolio
Real estate 1-4 family first mortgage				
Core portfolio	**$ 208,852**	**64%**	$ 194,499	60%
Non-strategic and liquidating loan portfolios:				
Pick-a-Pay mortgage	**45,002**	**14**	50,971	16
Other PCI and liquidating first mortgage	**11,532**	**4**	13,037	4
Total non-strategic and liquidating loan portfolios	**56,534**	**18**	64,008	20
Total real estate 1-4 family first mortgage loans	**265,386**	**82**	258,507	80
Real estate 1-4 family junior lien mortgage				
Core portfolio	**56,631**	**17**	62,037	19
Non-strategic and liquidating loan portfolios	**3,086**	**1**	3,913	1
Total real estate 1-4 family junior lien mortgage loans	**59,717**	**18**	65,950	20
Total real estate 1-4 family mortgage loans	**$ 325,103**	**100%**	$ 324,457	100%

The real estate 1-4 family mortgage loan portfolio includes some loans with adjustable-rate features and some with an interest-only feature as part of the loan terms. Interest-only loans were approximately 12% and 15% of total loans at December 31, 2014 and December 31, 2013, respectively. We believe we have manageable adjustable-rate mortgage (ARM) reset risk across our owned mortgage loan portfolios. We do not offer option ARM products, nor do we offer variable-rate mortgage products with fixed payment amounts, commonly referred to within the financial services industry as negative amortizing mortgage loans. The option ARMs we do have are included in the Pick-a-Pay portfolio which was acquired from Wachovia and are part of our liquidating loan portfolios. Since our acquisition of the Pick-a-Pay loan portfolio at the end of 2008, the option payment portion of the portfolio has reduced from 86% to 41% at December 31, 2014, as a result of our modification activities and customers exercising their option to convert to fixed payments. For more information, see the "Pick-a-Pay Portfolio" section later in this Report.

We continue to modify real estate 1-4 family mortgage loans to assist homeowners and other borrowers experiencing financial difficulties. Loans are underwritten at the time of the modification in accordance with underwriting guidelines established for governmental and proprietary loan modification programs. As a participant in the U.S. Treasury's Making Home Affordable (MHA) programs, we are focused on helping customers stay in their homes. The MHA programs create a standardization of modification terms including incentives paid to borrowers, servicers, and investors. MHA includes the Home Affordable Modification Program (HAMP) for first lien loans and the Second Lien Modification Program (2MP) for junior lien loans. Under both our proprietary programs and the MHA programs, we may provide concessions such as interest rate reductions, forbearance of principal, and in some cases, principal forgiveness. These programs generally include trial payment periods of three to four months, and after successful completion and compliance with terms during this period, the loan is permanently modified. Once the loan is modified either through a permanent modification or a trial period, it is accounted for as a TDR. See the "Critical Accounting Policies – Allowance for Credit Losses" section in this Report for discussion on how we determine the allowance attributable to our modified residential real estate portfolios.

Part of our credit monitoring includes tracking delinquency, FICO scores and loan/combined loan to collateral values (LTV/CLTV) on the entire real estate 1-4 family mortgage loan portfolio. These credit risk indicators, which exclude government insured/guaranteed loans, continued to improve in fourth quarter 2014 on the non-PCI mortgage portfolio. Loans 30 days or more delinquent at December 31, 2014, totaled $10.2 billion, or 3%, of total non-PCI mortgages, compared with $11.9 billion, or 4%, at December 31, 2013. Loans with FICO scores lower than 640 totaled $25.8 billion at December 31, 2014, or 9% of total non-PCI mortgages, compared with $31.5 billion, or 10%, at December 31, 2013. Mortgages with a LTV/CLTV greater than 100% totaled $20.3 billion at December 31, 2014, or 7% of total non-PCI mortgages, compared with $34.3 billion, or 11%, at December 31, 2013. Information regarding credit risk indicators, including PCI credit risk indicators, can be found in Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

Real estate 1-4 family first and junior lien mortgage loans by state are presented in Table 24. Our real estate 1-4 family mortgage loans to borrowers in California represented approximately 13% of total loans at December 31, 2014, located mostly within the larger metropolitan areas, with no single California metropolitan area consisting of more than 4% of total loans. We monitor changes in real estate values and underlying economic or market conditions for all geographic areas of our real estate 1-4 family mortgage portfolio as part of our credit risk management process. Our underwriting and periodic review of loans secured by residential real estate collateral includes appraisals or estimates from automated valuation models (AVMs) to support property values. AVMs are computer-based tools used to estimate the market value of homes. AVMs are a lower-cost alternative to appraisals and support valuations of

large numbers of properties in a short period of time using market comparables and price trends for local market areas. The primary risk associated with the use of AVMs is that the value of an individual property may vary significantly from the average for the market area. We have processes to periodically validate AVMs and specific risk management guidelines addressing the circumstances when AVMs may be used. AVMs are generally used in underwriting to support property values on loan originations only where the loan amount is under $250,000. We generally require property visitation appraisals by a qualified independent appraiser for larger residential property loans. Additional information about AVMs and our policy for their use can be found in Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

Table 24: Real Estate 1-4 Family First and Junior Lien Mortgage Loans by State

	December 31, 2014			
(in millions)	Real estate 1-4 family first mortgage	Real estate 1-4 family junior lien mortgage	Total real estate 1-4 family mortgage	% of total loans
Real estate 1-4 family loans (excluding PCI):				
California	$ 80,338	16,570	96,908	11%
New York	17,383	2,656	20,039	2
Florida	14,289	5,419	19,708	2
New Jersey	10,995	4,813	15,808	2
Virginia	7,061	3,297	10,358	1
Texas	7,993	868	8,861	1
Pennsylvania	5,844	2,974	8,818	1
North Carolina	5,970	2,631	8,601	1
Washington	5,956	1,489	7,445	1
Other (2)	61,577	18,899	80,476	10
Government insured/ guaranteed loans (3)	26,268	—	26,268	3
Total	$ 243,674	59,616	303,290	35%
Real estate 1-4 family PCI loans:				
California	$ 15,014	27	15,041	2%
Florida	1,566	16	1,582	*
New Jersey	797	14	811	*
Other (1)	4,335	44	4,379	1
Total	$ 21,712	101	21,813	3%
Total	$ 265,386	59,717	325,103	38%

* Less than 1%.
(1) Consists of 45 states; no state had loans in excess of $540 million.
(2) Consists of 41 states; no state had loans in excess of $7.3 billion.
(3) Represents loans whose repayments are predominantly insured by the Federal Housing Administration (FHA) or guaranteed by the Department of Veterans Affairs (VA)

First Lien Mortgage Portfolio The credit performance associated with our real estate 1-4 family first lien mortgage portfolio continued to improve in 2014, as measured through net charge-offs and nonaccrual loans. Net charge-offs as a percentage of average total loans improved to 0.19% in 2014, compared with 0.47% in 2013. Nonaccrual loans were $8.6 billion at December 31, 2014, compared with $9.8 billion at December 31, 2013. Improvement in the credit performance was driven by both an improving economic and housing environment and declining balances in non-strategic and liquidating loans, which have been replaced with higher quality assets originated after 2008 utilizing tighter underwriting standards. Real estate 1-4 family first lien mortgage loans originated after 2008 have resulted in minimal losses to date and were approximately 60% of our total real estate 1-4 family first lien mortgage portfolio as of December 31, 2014. First lien mortgage portfolios by state are presented in Table 25.

Table 25: First Lien Mortgage Portfolios Performance (1)

	Outstanding balance		% of loans two payments or more past due		Loss rate	
	Dec 31,	Dec 31,	**Dec 31,**	Dec 31,	Year ended December 31,	
(in millions)	**2014**	2013	**2014**	2013	**2014**	2013
Core portfolio:						
California	**$ 67,038**	56,511	**0.83%**	1.15	**0.02**	0.11
New York	**16,102**	13,030	**1.97**	2.73	**0.09**	0.17
Florida	**10,991**	11,113	**3.78**	4.97	**0.12**	0.87
New Jersey	**9,203**	8,091	**3.95**	5.17	**0.30**	0.71
Texas	**6,646**	6,200	**1.48**	1.86	**0.01**	0.09
Other	**72,604**	68,817	**2.34**	2.97	**0.18**	0.49
Total	**182,584**	163,762	**1.89**	2.53	**0.11**	0.36
Government insured/guaranteed loans	**26,268**	30,737				
Total core portfolio including government insured/ guaranteed loans	**208,852**	194,499	**1.89**	2.53	**0.11**	0.36
Liquidating portfolio	**34,822**	39,908	**15.55**	15.86	**0.84**	1.46
Total first lien mortgages	**$ 243,674**	234,407	**4.08%**	5.14	**0.24**	0.60

(1) Excludes PCI loans because their losses were generally reflected in PCI accounting adjustments at the date of acquisition.

In 2014, we continued to grow our real estate 1-4 family first lien mortgage portfolio through the retention of high-quality non-conforming mortgages. Substantially all non-conforming loans originated in 2014 were classified as non-conforming due to the loan amount exceeding conventional conforming loan amount limits established by federal government-sponsored entities (GSEs). Our total real estate 1-4 family first lien mortgage portfolio increased $6.9 billion in 2014. The growth in this portfolio has been largely offset by runoff in our real estate 1-4 family first lien mortgage non-strategic and liquidating portfolios. Excluding this runoff, our core real estate 1-4 family first lien mortgage portfolio increased $14.4 billion, as we retained $42.3 billion in non-conforming originations, primarily consisting of loans that exceed GSE lending limits, in 2014.

Pick-a-Pay Portfolio The Pick-a-Pay portfolio was one of the consumer residential first mortgage portfolios we acquired from Wachovia and a majority of the portfolio was identified as PCI loans.

The Pick-a-Pay portfolio includes loans that offer payment options (Pick-a-Pay option payment loans), and also includes loans that were originated without the option payment feature, loans that no longer offer the option feature as a result of our modification efforts since the acquisition, and loans where the customer voluntarily converted to a fixed-rate product. The Pick-a-Pay portfolio is included in the consumer real estate 1-4 family first mortgage class of loans throughout this Report. Table 26 provides balances by types of loans as of December 31, 2014, as a result of modification efforts, compared to the types of loans included in the portfolio at acquisition. Total adjusted unpaid principal balance of PCI Pick-a-Pay loans was $26.3 billion at December 31, 2014, compared with $61.0 billion at acquisition. Primarily due to modification efforts, the adjusted unpaid principal balance of option payment PCI loans has declined to 16% of the total Pick-a-Pay portfolio at December 31, 2014, compared with 51% at acquisition.

Table 26: Pick-a-Pay Portfolio - Comparison to Acquisition Date

	December 31, 2014		December 31, 2008	
(in millions)	**Adjusted unpaid principal balance (1)**	**% of total**	Adjusted unpaid principal balance (1)	% of total
Option payment loans	**$ 20,258**	**41%**	$ 99,937	86%
Non-option payment adjustable-rate and fixed-rate loans	**6,776**	**14**	15,763	14
Full-term loan modifications	**22,674**	**45**	—	—
Total adjusted unpaid principal balance	**$ 49,708**	**100%**	$ 115,700	100%
Total carrying value	**$ 45,002**		$ 95,315	

(1) Adjusted unpaid principal balance includes write-downs taken on loans where severe delinquency (normally 180 days) or other indications of severe borrower financial stress exist that indicate there will be a loss of contractually due amounts upon final resolution of the loan.

Pick-a-Pay loans may have fixed or adjustable rates with payment options that include a minimum payment, an interest-only payment or fully amortizing payment (both 15 and 30 year options). Total interest deferred due to negative amortization on Pick-a-Pay loans was $606 million at December 31, 2014, and $902 million at December 31, 2013. Approximately 95% of the Pick-a-Pay customers making a minimum payment in December 2014 did not defer interest, compared with 93% in December 2013.

Deferral of interest on a Pick-a-Pay loan may continue as long as the loan balance remains below a pre-defined principal cap, which is based on the percentage that the current loan balance represents to the original loan balance. A significant portion of the Pick-a-Pay portfolio has a cap of 125% of the original loan balance. Most of the Pick-a-Pay loans on which there is a deferred interest balance re-amortize (the monthly payment amount is reset or “recast”) on the earlier of the date when the loan balance reaches its principal cap, or generally the 10-year anniversary of the loan. After a recast, the customers’ new payment terms are reset to the amount necessary to repay the balance over the remainder of the original loan term.

Due to the terms of the Pick-a-Pay portfolio, any remaining recast risk is covered through our allowance for credit losses and nonaccretable difference. Based on assumptions of a flat rate environment, if all eligible customers elect the minimum payment option 100% of the time and no balances prepay, we would expect the following balances of loans to recast based on reaching the principal cap and also experiencing a payment change over the annual 7.5% reset: $56 million in 2015, $29 million in 2016, $26 million in 2017, $0.4 million in 2018 and $0.2 million in 2019. In addition, in a flat rate environment, we would expect the following balances of loans to start fully amortizing due to reaching their recast anniversary date and also having a payment change over the annual 7.5% reset: $339 million in 2015, $395 million in 2016, $1,496 million in 2017, $208 million in 2018 and $4 million in 2019. In 2014, the amount of loans reaching their recast anniversary date and also having a payment change over the annual 7.5% reset was $96 million.

Table 27 reflects the geographic distribution of the Pick-a-Pay portfolio broken out between PCI loans and all other loans. The LTV ratio is a useful metric in predicting future real estate 1-4 family first mortgage loan performance, including potential charge-offs. Because PCI loans were initially recorded at fair value, including write-downs for expected credit losses, the ratio of the carrying value to the current collateral value will be lower compared with the LTV based on the adjusted unpaid principal balance. For informational purposes, we have included both ratios for PCI loans in the following table.

Table 27: Pick-a-Pay Portfolio (1)

			December 31, 2014			
			PCI loans		All other loans	
(in millions)	Adjusted unpaid principal balance (2)	Current LTV ratio (3)	Carrying value (4)	Ratio of carrying value to current value (5)	Carrying value (4)	Ratio of carrying value to current value (5)
California	$ 18,257	77%	$ 15,001	62%	$ 11,426	57%
Florida	2,108	87	1,523	59	2,375	71
New Jersey	890	83	768	65	1,527	70
New York	564	77	522	64	714	67
Texas	233	62	206	54	920	50
Other states	4,252	82	3,493	65	6,527	69
Total Pick-a-Pay loans	$ 26,304		$ 21,513		$ 23,489	

(1) The individual states shown in this table represent the top five states based on the total net carrying value of the Pick-a-Pay loans at the beginning of 2014.
(2) Adjusted unpaid principal balance includes write-downs taken on loans where severe delinquency (normally 180 days) or other indications of severe borrower financial stress exist that indicate there will be a loss of contractually due amounts upon final resolution of the loan.
(3) The current LTV ratio is calculated as the adjusted unpaid principal balance divided by the collateral value. Collateral values are generally determined using automated valuation models (AVM) and are updated quarterly. AVMs are computer-based tools used to estimate market values of homes based on processing large volumes of market data including market comparables and price trends for local market areas.
(4) Carrying value, which does not reflect the allowance for loan losses, includes remaining purchase accounting adjustments, which, for PCI loans may include the nonaccretable difference and the accretable yield and, for all other loans, an adjustment to mark the loans to a market yield at date of merger less any subsequent charge-offs.
(5) The ratio of carrying value to current value is calculated as the carrying value divided by the collateral value.

To maximize return and allow flexibility for customers to avoid foreclosure, we have in place several loss mitigation strategies for our Pick-a-Pay loan portfolio. We contact customers who are experiencing financial difficulty and may in certain cases modify the terms of a loan based on a customer's documented income and other circumstances.

We also have taken steps to work with customers to refinance or restructure their Pick-a-Pay loans into other loan products. For customers at risk, we offer combinations of term extensions of up to 40 years (from 30 years), interest rate reductions, forbearance of principal, and, in certain cases we may offer principal forgiveness to customers with substantial property value declines based on affordability needs.

In 2014, we completed more than 5,300 proprietary and Home Affordability Modification Program (HAMP) Pick-a-Pay loan modifications. We have completed nearly 130,000 modifications since the Wachovia acquisition, resulting in $6.0 billion of principal forgiveness to our Pick-a-Pay customers. There remains $30 million of conditional forgiveness that can be earned by borrowers through performance over a three year period.

Due to better than expected performance observed on the Pick-a-Pay PCI portfolio compared with the original acquisition estimates, we have reclassified $6.0 billion from the nonaccretable difference to the accretable yield since acquisition. Our cash flows expected to be collected have been favorably affected by lower expected defaults and losses as a result of observed and forecasted economic strengthening, particularly in housing prices, and our loan modification efforts. These factors are expected to reduce the frequency and severity of defaults and keep these loans performing for a longer period, thus increasing future principal and interest cash flows. The resulting increase in the accretable yield will be realized over the remaining life of the portfolio, which is estimated to have a weighted-average remaining life of approximately 11.7 years at December 31, 2014, down from 12.7 years at December 31, 2013, primarily reflecting the passage of time. The accretable yield percentage at December 31, 2014 was 6.15%, up from 4.98% at the end of 2013 due to favorable changes in the expected timing and composition of cash flows resulting from improving credit and prepayment expectations. Fluctuations in the accretable yield are driven by changes in interest rate indices for variable rate PCI loans, prepayment assumptions, and expected principal and interest payments over the estimated life of the portfolio, which will be affected by the pace and degree of improvements in the U.S. economy and housing markets and projected lifetime performance resulting from loan modification activity. Changes in the projected timing of cash flow events, including loan liquidations, modifications and short sales, can also affect the accretable yield rate and the estimated weighted-average life of the portfolio.

The predominant portion of our PCI loans is included in the Pick-a-Pay portfolio. For further information on the judgment involved in estimating expected cash flows for PCI loans, see the "Critical Accounting Policies – Purchased Credit-Impaired Loans" section and Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report.

Junior Lien Mortgage Portfolio The junior lien mortgage portfolio consists of residential mortgage lines and loans that are subordinate in rights to an existing lien on the same property. It is not unusual for these lines and loans to have draw periods, interest only payments, balloon payments, adjustable rates and similar features. The majority of our junior lien loan products are amortizing payment loans with fixed interest rates and repayment periods between five to 30 years.

We continuously monitor the credit performance of our junior lien mortgage portfolio for trends and factors that influence the frequency and severity of loss. We have observed that the severity of loss for junior lien mortgages is high and generally not affected by whether we or a third party own or service the related first mortgage, but the frequency of delinquency is typically lower when we own or service the first lien mortgage. In general, we have limited information available on the delinquency status of the third party owned or serviced senior lien where we also hold a junior lien. To capture this inherent loss content, we use the experience of our junior lien mortgages behind delinquent first liens that are owned or

serviced by us adjusted for any observed differences in delinquency and loss rates associated with junior lien mortgages behind third party first mortgages. We incorporate this inherent loss content into our allowance for loan losses. Our allowance process for junior liens ensures consideration of the relative difference in loss experience for junior liens behind first lien mortgage loans we own or service, compared with those behind first lien mortgage loans owned or serviced by third parties. In addition, our allowance process for junior liens that are current, but are in their revolving period, reflects the inherent loss where the borrower is delinquent on the corresponding first lien mortgage loans.

Table 28 summarizes delinquency and loss rates for our junior lien mortgages by the holder of the first lien.

Table 28: Junior Lien Mortgage Portfolios Performance by Holder of 1st Lien (1)

	Outstanding balance		% of loans two payments or more past due		Loss rate (annualized) quarter ended				
(in millions)	**Dec 31, 2014**	Dec 31, 2013	**Dec 31, 2014**	Dec 31, 2013	**Dec 31, 2014**	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014	Dec 31, 2013
Junior lien mortgages behind:									
Wells Fargo owned or serviced first lien	**$ 29,483**	32,695	**2.39%**	2.37	**0.89**	0.86	1.08	1.16	1.34
Third party first lien	**30,133**	33,132	**2.58**	2.53	**0.88**	0.94	0.96	1.23	1.35
Total junior lien mortgages	**$ 59,616**	65,827	**2.49%**	2.45	**0.88**	0.90	1.02	1.20	1.35

(1) Excludes PCI loans because their losses were generally reflected in PCI accounting adjustments at the date of acquisition.

We monitor the number of borrowers paying the minimum amount due on a monthly basis. In December 2014, approximately 94% of our borrowers with a junior lien mortgage outstanding balance paid the minimum amount due or more, including approximately 47% who paid only the minimum amount due.

Table 29 shows the credit attributes of the core and liquidating junior lien mortgage portfolios and lists the top five states by outstanding balance for the core portfolio. Loans to California borrowers represent the largest state concentration in each of these portfolios. The decrease in outstanding balances since December 31, 2013 predominantly reflects loan paydowns. As of December 31, 2014, 20% of the outstanding balance of the junior lien mortgage portfolio was associated with loans that had a combined loan to value (CLTV) ratio in excess of 100%. Of those junior mortgage liens with a CLTV ratio in excess of 100%, 3.03% were two payments or more past due as of December 31, 2014. CLTV means the ratio of the total loan balance of first mortgages and junior lien mortgages (including unused line amounts for credit line products) to property collateral value. The unsecured portion (the outstanding amount that was in excess of the most recent property collateral value) of the outstanding balances of these loans totaled 8% of the junior lien mortgage portfolio at December 31, 2014.

Table 29: Junior Lien Mortgage Portfolios (1)

	Outstanding balance		% of loans two payments or more past due		Loss rate	
					Year ended December 31,	
(in millions)	**Dec 31, 2014**	Dec 31, 2013	**Dec 31, 2014**	Dec 31, 2013	**2014**	2013
Core portfolio						
California	**$ 15,535**	17,003	**2.07%**	2.03	**0.48**	1.52
Florida	**5,283**	5,811	**2.96**	3.16	**1.40**	2.60
New Jersey	**4,705**	5,019	**3.43**	3.43	**1.42**	1.79
Virginia	**3,160**	3,378	**2.18**	2.02	**0.84**	1.19
Pennsylvania	**2,942**	3,137	**2.72**	2.64	**1.11**	1.29
Other	**25,006**	27,689	**2.20**	2.18	**0.95**	1.69
Total	**56,631**	62,037	**2.36**	2.35	**0.90**	1.69
Liquidating portfolio	**2,985**	3,790	**4.77**	4.10	**2.74**	4.50
Total core and liquidating portfolios	**$ 59,616**	65,827	**2.49%**	2.45	**1.00**	1.86

(1) Excludes PCI loans because their losses were generally reflected in PCI accounting adjustments at the date of acquisition.

Our junior lien, as well as first lien, lines of credit products generally have a draw period of 10 years (with some up to 15 or 20 years) with variable interest rate and payment options during the draw period of (1) interest only or (2) 1.5% of outstanding principal balance plus accrued interest. During the draw period, the borrower has the option of converting all or a portion of the

line from a variable interest rate to a fixed rate with terms including interest-only payments for a fixed period between three to seven years or a fully amortizing payment with a fixed period between five to 30 years. At the end of the draw period, a line of credit generally converts to an amortizing payment schedule with repayment terms of up to 30 years based on the balance at time of conversion. Certain lines and loans have been structured with a balloon payment, which requires full repayment of the outstanding balance at the end of the term period. The conversion of lines or loans to fully amortizing or balloon payoff may result in a significant payment increase, which can affect some borrowers' ability to repay the outstanding balance.

The lines that enter their amortization period may experience higher delinquencies and higher loss rates than the ones in their draw or term period. We have considered this increased inherent risk in our allowance for credit loss estimate.

In anticipation of our borrowers reaching the end of their contractual commitment, we have created a program to inform, educate and help these borrowers transition from interest-only to fully-amortizing payments or full repayment. We monitor the performance of the borrowers moving through the program in an effort to refine our ongoing program strategy.

Table 30 reflects the outstanding balance of our portfolio of junior lien lines and loans and senior lien lines segregated into scheduled end of draw or end of term periods and products that are currently amortizing, or in balloon repayment status. It excludes real estate 1-4 family first lien line reverse mortgages, which total $2.3 billion, because they are predominantly insured by the FHA, and it excludes PCI loans, which total $130 million, because their losses were generally reflected in our nonaccretable difference established at the date of acquisition.

Table 30: Junior Lien Mortgage Line and Loan and Senior Lien Mortgage Line Portfolios Payment Schedule

			Scheduled end of draw / term						
(in millions)		**Outstanding balance December 31, 2014**	2015	2016	2017	2018	2019	2020 and thereafter (1)	Amortizing
Junior residential lines	**$**	**52,658**	4,813	6,451	6,692	3,633	1,422	24,639	5,008
Junior loans (2)		**6,958**	65	98	103	11	8	1,175	5,498
Total junior lien (3)(4)		**59,616**	4,878	6,549	6,795	3,644	1,430	25,814	10,506
First lien lines		**17,080**	1,089	923	932	1,053	467	11,394	1,222
Total (3)(4)	**$**	**76,696**	5,967	7,472	7,727	4,697	1,897	37,208	11,728
% of portfolios		**100%**	**7.8%**	**9.7%**	**10.1%**	**6.1%**	**2.5%**	**48.5%**	**15.3%**

(1) The annual scheduled end of draw or term ranges from $1.7 billion to $10.0 billion and averages $5.3 billion per year for 2020 and thereafter. The loans that convert in 2025 and thereafter have draw periods that generally extend to 15 or 20 years.
(2) Junior loans within the term period predominantly represent principal and interest products that require a balloon payment upon the end of the loan term. Amortizing junior loans include $62 million of balloon loans that have reached end of term and are now past due.
(3) Lines in their draw period are predominantly interest-only. The unfunded credit commitments total $70.1 billion at December 31, 2014.
(4) Includes scheduled end-of-term balloon payments totaling $455 million, $386 million, $501 million, $518 million, $445 million, and $1.9 billion for 2015, 2016, 2017, 2018, 2019, 2020 and thereafter, respectively. Amortizing lines include $189 million of end-of-term balloon payments, which are past due. At December 31, 2014, $425 million, or 7% of outstanding lines of credit that are amortizing, are 30 or more days past due compared to $1.3 billion, or 2% for lines in their draw period.

CREDIT CARDS Our credit card portfolio totaled $31.1 billion at December 31, 2014, which represented 4% of our total outstanding loans. In November 2014, we purchased an existing private label and co-branded credit card loan portfolio in connection with the Dillard's program agreement. The net charge-off rate for our credit card portfolio was 3.14% for 2014, compared with 3.62% for 2013.

AUTOMOBILE Our automobile portfolio, predominantly composed of indirect loans, totaled $55.7 billion at December 31, 2014. The net charge-off rate for our automobile portfolio was 0.70% for 2014, compared with 0.63% for 2013.

OTHER REVOLVING CREDIT AND INSTALLMENT Other revolving credit and installment loans totaled $35.8 billion at December 31, 2014, and primarily included student and security-based loans. Student loans totaled $11.9 billion at December 31, 2014, compared with $22.0 billion at December 31, 2013, reflecting the transfer of $9.7 billion in government guaranteed student loans to loans held for sale at June 30, 2014, of which $8.3 billion were sold in fourth quarter 2014. The net charge-off rate for other revolving credit and installment loans was 1.35% for 2014, compared with 1.41% for 2013.

NONPERFORMING ASSETS (NONACCRUAL LOANS AND FORECLOSED ASSETS) Table 31 summarizes nonperforming assets (NPAs) for each of the last five years. We generally place loans on nonaccrual status when:

- the full and timely collection of interest or principal becomes uncertain (generally based on an assessment of the borrower's financial condition and the adequacy of collateral, if any);
- they are 90 days (120 days with respect to real estate 1-4 family first and junior lien mortgages) past due for interest or principal, unless both well-secured and in the process of collection;
- part of the principal balance has been charged off (including loans discharged in bankruptcy);
- for junior lien mortgages, we have evidence that the related first lien mortgage may be 120 days past due or in the process of foreclosure regardless of the junior lien delinquency status; or
- performing consumer loans are discharged in bankruptcy, regardless of their delinquency status.

Note 1 (Summary of Significant Accounting Policies – Loans) to Financial Statements in this Report describes our accounting policy for nonaccrual and impaired loans.

Table 31: Nonperforming Assets (Nonaccrual Loans and Foreclosed Assets)

					December 31,
(in millions)	**2014**	2013	2012	2011	2010
Nonaccrual loans:					
Commercial:					
Commercial and industrial	**$ 538**	775	1,467	2,167	3,277
Real estate mortgage	**1,490**	2,254	3,323	4,085	5,228
Real estate construction	**187**	416	1,003	1,890	2,676
Lease financing	**24**	30	29	55	115
Total commercial (1)	**2,239**	3,475	5,822	8,197	11,296
Consumer:					
Real estate 1-4 family first mortgage (2)	**8,583**	9,799	11,456	10,932	12,333
Real estate 1-4 family junior lien mortgage	**1,848**	2,188	2,923	1,976	2,303
Automobile	**137**	173	245	159	248
Other revolving credit and installment	**41**	33	40	40	62
Total consumer (3)	**10,609**	12,193	14,664	13,107	14,946
Total nonaccrual loans (4)(5)(6)	**12,848**	15,668	20,486	21,304	26,242
As a percentage of total loans	**1.49%**	1.91	2.57	2.77	3.47
Foreclosed assets:					
Government insured/guaranteed (7)	**$ 982**	2,093	1,509	1,319	1,479
Non-government insured/guaranteed	**1,627**	1,844	2,514	3,342	4,530
Total foreclosed assets	**2,609**	3,937	4,023	4,661	6,009
Total nonperforming assets	**$ 15,457**	19,605	24,509	25,965	32,251
As a percentage of total loans	**1.79%**	2.38	3.07	3.37	4.26

(1) Includes LHFS of $1 million, $1 million, $16 million, $25 million and $3 million at December 31, 2014, 2013, 2012, 2011 and 2010, respectively.
(2) Includes MHFS of $177 million, $227 million, $336 million, $301 million and $426 million at December 31, 2014, 2013, 2012, 2011, and 2010, respectively.
(3) December 31, 2012, includes the impact of the implementation of guidance issued by bank regulatory agencies in 2012.
(4) Excludes PCI loans because they continue to earn interest income from accretable yield, independent of performance in accordance with their contractual terms.
(5) Real estate 1-4 family mortgage loans predominantly insured by the FHA or guaranteed by the VA and student loans predominantly guaranteed by agencies on behalf of the U.S. Department of Education under the Federal Family Education Loan Program are not placed on nonaccrual status because they are insured or guaranteed.
(6) See Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report for further information on impaired loans.
(7) During fourth quarter 2014, we adopted Accounting Standards Update (ASU) 2014-14, *Classification of Certain Government-Guaranteed Mortgage Loans Upon Foreclosure*, effective as of January 1, 2014. This ASU requires that certain government guaranteed residential real estate mortgage loans that meet specific criteria be recognized as other receivables upon foreclosure; previously, these assets were included in foreclosed assets. Government guaranteed residential real estate mortgage loans that completed foreclosure during 2014 and met the criteria specified by ASU 2014-14 are excluded from this table and included in Accounts Receivable in Other Assets. For more information on the changes in foreclosures for government guaranteed residential real estate mortgage loans, see Note 1 (Summary of Significant Accounting Policies) and Note 7 (Premises, Equipment, Lease Commitments and Other Assets).

Table 32 provides a summary of nonperforming assets during 2014.

Table 32: Nonperforming Assets by Quarter During 2014

(in millions)	**December 31, 2014** Balance	**% of total loans**	September 30, 2014 Balance	% of total loans	June 30, 2014 Balance	% of total loans	March 31, 2014 Balance	% of total loans
Nonaccrual loans:								
Commercial:								
Commercial and industrial	**$ 538**	**0.20%**	$ 614	0.24%	$ 724	0.29%	$ 664	0.28%
Real estate mortgage	**1,490**	**1.33**	1,636	1.46	1,805	1.59	2,034	1.80
Real estate construction	**187**	**1.00**	217	1.20	239	1.38	296	1.76
Lease financing	**24**	**0.20**	27	0.22	29	0.24	32	0.26
Total commercial	**2,239**	**0.54**	2,494	0.63	2,797	0.71	3,026	0.79
Consumer:								
Real estate 1-4 family first mortgage	**8,583**	**3.23**	8,785	3.34	9,026	3.47	9,357	3.61
Real estate 1-4 family junior lien mortgage	**1,848**	**3.09**	1,903	3.13	1,965	3.14	2,073	3.24
Automobile	**137**	**0.25**	143	0.26	150	0.28	161	0.31
Other revolving credit and installment	**41**	**0.11**	40	0.11	34	0.10	33	0.08
Total consumer	**10,609**	**2.37**	10,871	2.46	11,175	2.55	11,624	2.61
Total nonaccrual loans	**12,848**	**1.49**	13,365	1.59	13,972	1.69	14,650	1.77
Foreclosed assets:								
Government insured/guaranteed (1)	**982**		1,140		1,257		1,609	
Non-government insured/guaranteed	**1,627**		1,691		1,748		1,813	
Total foreclosed assets	**2,609**		2,831		3,005		3,422	
Total nonperforming assets	**$ 15,457**	**1.79%**	$ 16,196	1.93%	$ 16,977	2.05%	$ 18,072	2.19%
Change in NPAs from prior quarter (1)	**$ (739)**		(781)		(1,095)		(1,533)	

(1) During fourth quarter 2014, we adopted Accounting Standards Update (ASU) 2014-14, *Classification of Certain Government-Guaranteed Mortgage Loans Upon Foreclosure*, effective as of January 1, 2014. This ASU requires that certain government guaranteed residential real estate mortgage loans that meet specific criteria be recognized as other receivables upon foreclosure; previously, these assets were included in foreclosed assets. Government guaranteed residential real estate mortgage loans that completed foreclosure during 2014 and met the criteria specified by ASU 2014-14 totaled $1.5 billion, $1.1 billion, and $693 million at September 30, 2014, June 30, 2014, and March 31, 2014, respectively, and are excluded from this table. For more information on the changes in foreclosures for government guaranteed residential real estate mortgage loans, see Note 1 (Summary of Significant Accounting Policies) and Note 7 (Premises, Equipment, Lease Commitments and Other Assets).

Table 33 provides an analysis of the changes in nonaccrual loans.

Table 33: Analysis of Changes in Nonaccrual Loans

	Quarter ended					
	Dec 31,	Sep 30,	Jun 30,	Mar 31,	Year ended Dec 31,	
(in millions)	**2014**	2014	2014	2014	**2014**	2013
Commercial nonaccrual loans						
Balance, beginning of period	**$ 2,494**	2,798	3,027	3,475	**3,475**	5,824
Inflows	**410**	342	433	367	**1,552**	2,178
Outflows:						
Returned to accruing	**(64)**	(37)	(81)	(98)	**(280)**	(497)
Foreclosures	**(45)**	(18)	(32)	(79)	**(174)**	(321)
Charge-offs	**(141)**	(124)	(120)	(116)	**(501)**	(723)
Payments, sales and other (1)	**(415)**	(467)	(429)	(522)	**(1,833)**	(2,986)
Total outflows	**(665)**	(646)	(662)	(815)	**(2,788)**	(4,527)
Balance, end of period	**2,239**	2,494	2,798	3,027	**2,239**	3,475
Consumer nonaccrual loans						
Balance, beginning of period	**10,871**	11,174	11,623	12,193	**12,193**	14,662
Inflows	**1,454**	1,529	1,673	1,650	**6,306**	8,117
Outflows:						
Returned to accruing	**(678)**	(817)	(1,107)	(1,104)	**(3,706)**	(4,137)
Foreclosures	**(114)**	(148)	(132)	(146)	**(540)**	(597)
Charge-offs	**(278)**	(289)	(348)	(400)	**(1,315)**	(2,343)
Payments, sales and other (1)	**(646)**	(578)	(535)	(570)	**(2,329)**	(3,509)
Total outflows	**(1,716)**	(1,832)	(2,122)	(2,220)	**(7,890)**	(10,586)
Balance, end of period	**10,609**	10,871	11,174	11,623	**10,609**	12,193
Total nonaccrual loans	**$ 12,848**	13,365	13,972	14,650	**12,848**	15,668

(1) Other outflows include the effects of VIE deconsolidations and adjustments for loans carried at fair value.

Typically, changes to nonaccrual loans period-over-period represent inflows for loans that are placed on nonaccrual status in accordance with our policy, offset by reductions for loans that are paid down, charged off, sold, foreclosed, or are no longer classified as nonaccrual as a result of continued performance and an improvement in the borrower's financial condition and loan repayment capabilities. Also, reductions can come from borrower repayments even if the loan remains on nonaccrual.

While nonaccrual loans are not free of loss content, we believe exposure to loss is significantly mitigated by the following factors at December 31, 2014:

- 98% of total commercial nonaccrual loans and 99% of total consumer nonaccrual loans are secured. Of the consumer nonaccrual loans, 98% are secured by real estate and 72% have a combined LTV (CLTV) ratio of 80% or less.
- losses of $495 million and $3.5 billion have already been recognized on 29% of commercial nonaccrual loans and 53% of consumer nonaccrual loans, respectively. Generally, when a consumer real estate loan is 120 days past due (except when required earlier by guidance issued by bank regulatory agencies), we transfer it to nonaccrual status. When the loan reaches 180 days past due, or is discharged in bankruptcy, it is our policy to write these loans down to net realizable value (fair value of collateral less estimated costs to sell), except for modifications in their trial period that are not written down as long as trial payments are made on time. Thereafter, we reevaluate each loan regularly and record additional write-downs if needed.
- 71% of commercial nonaccrual loans were current on interest.
- the risk of loss of all nonaccrual loans has been considered and we believe is adequately covered by the allowance for loan losses.
- $2.0 billion of consumer loans discharged in bankruptcy and classified as nonaccrual were 60 days or less past due, of which $1.9 billion were current.

We continue to work with our customers experiencing financial difficulty to determine if they can qualify for a loan modification so that they can stay in their homes. Under both our proprietary modification programs and the MHA programs, customers may be required to provide updated documentation, and some programs require completion of payment during trial periods to demonstrate sustained performance before the loan can be removed from nonaccrual status. In addition, for loans in foreclosure in certain states, including New York and New Jersey, the foreclosure timeline has significantly increased due to backlogs in an already complex process. Therefore, some loans may remain on nonaccrual status for a long period.

If interest due on all nonaccrual loans (including loans that were, but are no longer on nonaccrual at year end) had been accrued under the original terms, approximately $741 million of interest would have been recorded as income on these loans, compared with $598 million actually recorded as interest income in 2014, versus $764 million and $575 million, respectively, in 2013.

Table 34 provides a summary of foreclosed assets and an analysis of changes in foreclosed assets.

Table 34: Foreclosed Assets

			Quarter ended			
	Dec 31,	Sep 30,	Jun 30,	Mar 31,	Year ended Dec 31,	
(in millions)	**2014**	2014	2014	2014	**2014**	2013
Summary by loan segment						
Government insured/guaranteed (1)	**$ 982**	1,140	1,257	1,609	**982**	2,093
PCI loans:						
Commercial	**352**	394	457	461	**352**	497
Consumer	**212**	214	208	177	**212**	149
Total PCI loans	**564**	608	665	638	**564**	646
All other loans:						
Commercial	**565**	579	634	736	**565**	759
Consumer	**498**	504	449	439	**498**	439
Total all other loans	**1,063**	1,083	1,083	1,175	**1,063**	1,198
Total foreclosed assets	**$ 2,609**	2,831	3,005	3,422	**2,609**	3,937
Analysis of changes in foreclosed assets						
Balance, beginning of period	**$ 2,831**	3,005	3,422	3,937	**3,937**	4,023
Net change in government insured/guaranteed (1)(2)	**(158)**	(117)	(352)	(484)	**(1,111)**	584
Additions to foreclosed assets (3)	**362**	364	421	448	**1,595**	1,852
Reductions:						
Sales	**(462)**	(421)	(493)	(490)	**(1,866)**	(2,673)
Write-downs and net gains (losses) on sales	**36**	—	7	11	**54**	151
Total reductions	**(426)**	(421)	(486)	(479)	**(1,812)**	(2,522)
Balance, end of period	**$ 2,609**	2,831	3,005	3,422	**2,609**	3,937

(1) During fourth quarter 2014, we adopted Accounting Standards Update (ASU) 2014-14, *Classification of Certain Government-Guaranteed Mortgage Loans Upon Foreclosure*, effective as of January 1, 2014. This ASU requires that government guaranteed residential real estate mortgage loans that meet specific criteria be recognized as other receivables upon foreclosure; previously, these assets were included in foreclosed assets. Government guaranteed residential real estate mortgage loans that completed foreclosure during 2014 and met the criteria specified by ASU 2014-14 totaled $1.5 billion, $1.1 billion, and $693 million at September 30, 2014, June 30, 2014, and March 31, 2014, respectively, and are excluded from this table. For more information on the changes in foreclosures for government guaranteed residential real estate mortgage loans, see Note 1 (Summary of Significant Accounting Policies) and Note 7 (Premises, Equipment, Lease Commitments and Other Assets).

(2) Foreclosed government insured/guaranteed loans are temporarily transferred to and held by us as servicer, until reimbursement is received from FHA or VA. The net change in government insured/guaranteed foreclosed assets is made up of inflows from mortgages held for investment and MHFS, and outflows when we are reimbursed by FHA/VA. Transfers from government insured/guaranteed loans to foreclosed assets amounted to $45 million, $41 million, $43 million, and $62 million for the quarters ended December 31, September 30, June 30, and March 31, 2014 and $191 million and $2.9 billion for the years ended December 31, 2014 and 2013, respectively. The amounts previously reported for the quarterly net change in government insured/guaranteed foreclosed assets have been revised to exclude $375 million, $409 million and $693 million at September 30, 2014, June 30, 2014, and March 31, 2014, respectively, to reflect the impact of the adoption of ASU 2014-14.

(3) Predominantly include loans moved into foreclosure from nonaccrual status, PCI loans transitioned directly to foreclosed assets and repossessed automobiles.

Foreclosed assets at December 31, 2014, included $1.6 billion of foreclosed residential real estate that had collateralized commercial and consumer loans, of which 59% is predominantly FHA insured or VA guaranteed and expected to have minimal or no loss content. The remaining foreclosed assets balance of $1.0 billion has been written down to estimated net realizable value. The decrease in foreclosed assets at December 31, 2014, compared with December 31, 2013, was the result of the adoption of ASU 2014-14, which requires that government guaranteed residential real estate mortgage loans that meet specific criteria be recognized as other receivables upon foreclosure (previously, these were included in foreclosed assets). Of the $2.6 billion in foreclosed assets at December 31, 2014, 33% have been in the foreclosed assets portfolio one year or less.

TROUBLED DEBT RESTRUCTURINGS (TDRs)

Table 35: Troubled Debt Restructurings (TDRs)

					December 31,
(in millions)	**2014**	2013	2012	2011	2010
Commercial TDRs					
Commercial and industrial	**$ 724**	1,034	1,700	2,046	619
Real estate mortgage	**1,880**	2,248	2,625	2,262	725
Real estate construction	**314**	475	801	1,008	407
Lease financing	**2**	8	20	33	—
Total commercial TDRs	**2,920**	3,765	5,146	5,349	1,751
Consumer TDRs					
Real estate 1-4 family first mortgage	**18,226**	18,925	17,804	13,799	11,603
Real estate 1-4 family junior lien mortgage	**2,437**	2,468	2,390	1,986	1,626
Credit Card	**338**	431	531	593	548
Automobile	**127**	189	314	260	214
Other revolving credit and installment	**49**	33	24	19	16
Trial modifications	**452**	650	705	651	—
Total consumer TDRs (1)	**21,629**	22,696	21,768	17,308	14,007
Total TDRs	**$ 24,549**	26,461	26,914	22,657	15,758
TDRs on nonaccrual status	**$ 7,104**	8,172	10,149	6,811	5,185
TDRs on accrual status (1)	**17,445**	18,289	16,765	15,846	10,573
Total TDRs	**$ 24,549**	26,461	26,914	22,657	15,758

(1) TDR loans include $2.1 billion, $2.5 billion, $1.9 billion, $318 million, and $429 million at December 31, 2014, 2013, 2012, 2011, and 2010, respectively, of government insured/guaranteed loans that are predominantly insured by the FHA or guaranteed by the VA and are accruing.

Table 36: TDRs Balance by Quarter During 2014

	Dec 31,	Sep 30,	Jun 30,	Mar 31,
(in millions)	**2014**	2014	2014	2014
Commercial TDRs				
Commercial and industrial	**$ 724**	836	950	1,088
Real estate mortgage	**1,880**	2,034	2,179	2,233
Real estate construction	**314**	328	391	454
Lease financing	**2**	3	5	6
Total commercial TDRs	**2,920**	3,201	3,525	3,781
Consumer TDRs				
Real estate 1-4 family first mortgage	**18,226**	18,366	18,582	19,043
Real estate 1-4 family junior lien mortgage	**2,437**	2,464	2,463	2,460
Credit Card	**338**	358	379	399
Automobile	**127**	135	151	169
Other revolving credit and installment	**49**	45	38	34
Trial modifications	**452**	473	469	593
Total consumer TDRs	**21,629**	21,841	22,082	22,698
Total TDRs	**$ 24,549**	25,042	25,607	26,479
TDRs on nonaccrual status	**$ 7,104**	7,313	7,638	7,774
TDRs on accrual status	**17,445**	17,729	17,969	18,705
Total TDRs	**$ 24,549**	25,042	25,607	26,479

Table 35 and Table 36 provide information regarding the recorded investment of loans modified in TDRs. The allowance for loan losses for TDRs was $3.6 billion and $4.5 billion at December 31, 2014 and 2013, respectively. See Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report for additional information regarding TDRs. In those situations where principal is forgiven, the entire amount of such forgiveness is immediately charged off to the extent not done so prior to the modification. We sometimes delay the timing on the repayment of a portion of principal (principal forbearance) and charge off the amount of forbearance if that amount is not considered fully collectible.

Our nonaccrual policies are generally the same for all loan types when a restructuring is involved. We re-underwrite loans at the time of restructuring to determine whether there is sufficient evidence of sustained repayment capacity based on the borrower's documented income, debt to income ratios, and other factors. Loans lacking sufficient evidence of sustained repayment

capacity at the time of modification are charged down to the fair value of the collateral, if applicable. For an accruing loan that has been modified, if the borrower has demonstrated performance under the previous terms and the underwriting process shows the capacity to continue to perform under the restructured terms, the loan will generally remain in accruing status. Otherwise, the loan will be placed in nonaccrual status until the borrower demonstrates a sustained period of performance, generally six consecutive months of payments, or equivalent, inclusive of consecutive payments made prior to modification. Loans will also be placed on nonaccrual, and a corresponding charge-off is recorded to the loan balance, when we believe that principal and interest contractually due under the modified agreement will not be collectible.

Table 37 provides an analysis of the changes in TDRs. Loans that may be modified more than once are reported as TDR inflows only in the period they are first modified. Other than resolutions such as foreclosures, sales and transfers to held for sale, we may remove loans held for investment from TDR classification, but only if they have been refinanced or restructured at market terms and qualify as a new loan.

Table 37: Analysis of Changes in TDRs

		Quarter ended				
	Dec 31,	Sep 30,	Jun 30,	Mar 31,	Year ended Dec. 31,	
(in millions)	**2014**	2014	2014	2014	**2014**	2013
Commercial TDRs						
Balance, beginning of period	**$ 3,201**	3,525	3,781	3,765	**3,765**	5,146
Inflows	**232**	208	276	442	**1,158**	1,794
Outflows						
Charge-offs	**(62)**	(42)	(28)	(23)	**(155)**	(132)
Foreclosure	**(27)**	(12)	(8)	(3)	**(50)**	(88)
Payments, sales and other (1)	**(424)**	(478)	(496)	(400)	**(1,798)**	(2,955)
Balance, end of period	**2,920**	3,201	3,525	3,781	**2,920**	3,765
Consumer TDRs						
Balance, beginning of period	**21,841**	22,082	22,698	22,696	**22,696**	21,768
Inflows	**957**	946	1,003	1,104	**4,010**	5,958
Outflows						
Charge-offs	**(99)**	(120)	(139)	(157)	**(515)**	(859)
Foreclosure	**(252)**	(303)	(283)	(325)	**(1,163)**	(1,290)
Payments, sales and other (1)	**(797)**	(768)	(1,073)	(563)	**(3,201)**	(2,826)
Net change in trial modifications (2)	**(21)**	4	(124)	(57)	**(198)**	(55)
Balance, end of period	**21,629**	21,841	22,082	22,698	**21,629**	22,696
Total TDRs	**$ 24,549**	25,042	25,607	26,479	**24,549**	26,461

(1) Other outflows include normal amortization/accretion of loan basis adjustments and loans transferred to held-for-sale. It also includes $1 million of loans refinanced or restructured as new loans and removed from TDR classification for the quarter ended March 31, 2014. No loans were removed from TDR classification for the quarters ended December 31, September 30, and June 30, 2014, respectively. During 2013, $84 million of loans were refinanced or restructured as new loans and removed from TDR classification.

(2) Net change in trial modifications includes: inflows of new TDRs entering the trial payment period, net of outflows for modifications that either (i) successfully perform and enter into a permanent modification, or (ii) did not successfully perform according to the terms of the trial period plan and are subsequently charged-off, foreclosed upon or otherwise resolved. Our experience is that substantially all of the mortgages that enter a trial payment period program are successful in completing the program requirements.

LOANS 90 DAYS OR MORE PAST DUE AND STILL ACCRUING

Loans 90 days or more past due as to interest or principal are still accruing if they are (1) well-secured and in the process of collection or (2) real estate 1-4 family mortgage loans or consumer loans exempt under regulatory rules from being classified as nonaccrual until later delinquency, usually 120 days past due. PCI loans are not included in past due and still accruing loans even though they are 90 days or more contractually past due. These PCI loans are considered to be accruing because they continue to earn interest from accretable yield, independent of performance in accordance with their contractual terms.

Excluding insured/guaranteed loans, loans 90 days or more past due and still accruing at December 31, 2014, were down $125 million, or 12%, from December 31, 2013, due to payoffs, modifications and other loss mitigation activities, decline in non-strategic and liquidating portfolios, and credit stabilization.

Loans 90 days or more past due and still accruing whose repayments are predominantly insured by the FHA or guaranteed by the VA for mortgages and the U.S. Department of Education for student loans under the Federal Family Education Loan Program (FFELP) were $16.9 billion at December 31, 2014, down from $22.2 billion at December 31, 2013.

Table 38 reflects non-PCI loans 90 days or more past due and still accruing by class for loans not government insured/guaranteed. For additional information on delinquencies by loan class, see Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

Table 38: Loans 90 Days or More Past Due and Still Accruing

				December 31,	
(in millions)	**2014**	2013	2012	2011	2010
Loans 90 days or more past due and still accruing:					
Total (excluding PCI (1)):	**$ 17,810**	23,219	23,245	22,569	18,488
Less: FHA insured/guaranteed by the VA (2)(3)	**16,827**	21,274	20,745	19,240	14,733
Less: Student loans guaranteed under the FFELP (4)	**63**	900	1,065	1,281	1,106
Total, not government insured/guaranteed	**$ 920**	1,045	1,435	2,048	2,649
By segment and class, not government insured/guaranteed:					
Commercial:					
Commercial and industrial	**$ 31**	11	48	159	330
Real estate mortgage	**16**	35	228	256	104
Real estate construction	**—**	97	27	89	193
Total commercial	**47**	143	303	504	627
Consumer:					
Real estate 1-4 family first mortgage (3)	**260**	354	564	781	941
Real estate 1-4 family junior lien mortgage (3)	**83**	86	133	279	366
Credit card	**364**	321	310	346	516
Automobile	**73**	55	40	51	79
Other revolving credit and installment	**93**	86	85	87	120
Total consumer	**873**	902	1,132	1,544	2,022
Total, not government insured/guaranteed	**$ 920**	1,045	1,435	2,048	2,649

(1) PCI loans totaled $3.7 billion, $4.5 billion, $6.0 billion, $8.7 billion and $11.6 billion at December 31, 2014, 2013, 2012, 2011 and 2010, respectively.
(2) Represents loans whose repayments are predominantly insured by the FHA or guaranteed by the VA.
(3) Includes mortgages held for sale 90 days or more past due and still accruing.
(4) Represents loans whose repayments are predominantly guaranteed by agencies on behalf of the U.S. Department of Education under the FFELP. In fourth quarter 2014, substantially all government guaranteed loans were sold.

NET CHARGE-OFFS

Table 39: Net Charge-offs

($ in millions)	Year ended December 31, Net loan charge-offs	% of avg. loans	December 31, Net loan charge-offs	% of avg. loans (1)	Quarter ended September 30, Net loan charge-offs	% of avg. loans (1)	June 30, Net loan charge-offs	% of avg. loans (1)	March 31, Net loan charge-offs	% of avg. loans (1)
2014										
Commercial:										
Commercial and industrial	**$ 258**	**0.10%**	**$ 82**	**0.12%**	**$ 67**	**0.11%**	**$ 60**	**0.10%**	**$ 49**	**0.08%**
Real estate mortgage	**(94)**	**(0.08)**	**(25)**	**(0.09)**	**(37)**	**(0.13)**	**(10)**	**(0.04)**	**(22)**	**(0.08)**
Real estate construction	**(127)**	**(0.72)**	**(26)**	**(0.56)**	**(58)**	**(1.27)**	**(20)**	**(0.47)**	**(23)**	**(0.54)**
Lease financing	**7**	**0.06**	**1**	**0.05**	**4**	**0.10**	**1**	**0.05**	**1**	**0.03**
Total commercial	**44**	**0.01**	**32**	**0.03**	**(24)**	**(0.02)**	**31**	**0.03**	**5**	**0.01**
Consumer:										
Real estate 1-4 family first mortgage	**509**	**0.19**	**88**	**0.13**	**114**	**0.17**	**137**	**0.21**	**170**	**0.27**
Real estate 1-4 family junior lien mortgage	**626**	**1.00**	**134**	**0.88**	**140**	**0.90**	**160**	**1.02**	**192**	**1.19**
Credit card	**864**	**3.14**	**221**	**2.97**	**201**	**2.87**	**211**	**3.20**	**231**	**3.57**
Automobile	**380**	**0.70**	**132**	**0.94**	**112**	**0.81**	**46**	**0.35**	**90**	**0.70**
Other revolving credit and installment	**522**	**1.35**	**128**	**1.45**	**125**	**1.46**	**132**	**1.22**	**137**	**1.29**
Total consumer	**2,901**	**0.65**	**703**	**0.63**	**692**	**0.62**	**686**	**0.62**	**820**	**0.75**
Total	**$ 2,945**	**0.35%**	**$ 735**	**0.34%**	**$ 668**	**0.32%**	**$ 717**	**0.35%**	**$ 825**	**0.41%**
2013										
Commercial:										
Commercial and industrial	$ 343	0.15 %	$ 107	0.18 %	$ 55	0.10 %	$ 81	0.14 %	$ 100	0.18 %
Real estate mortgage	(36)	(0.03)	(41)	(0.14)	(19)	(0.08)	(5)	(0.02)	29	0.11
Real estate construction	(109)	(0.66)	(13)	(0.32)	(17)	(0.40)	(45)	(1.09)	(34)	(0.83)
Lease financing	17	0.14	—	—	—	—	18	0.55	(1)	(0.03)
Total commercial	215	0.06	53	0.06	19	0.02	49	0.05	94	0.11
Consumer:										
Real estate 1-4 family first mortgage	1,193	0.47	195	0.30	242	0.38	327	0.52	429	0.69
Real estate 1-4 family junior lien mortgage	1,310	1.86	226	1.34	275	1.58	360	2.02	449	2.46
Credit card	895	3.62	220	3.38	207	3.28	233	3.90	235	3.95
Automobile	303	0.63	108	0.85	78	0.63	41	0.35	76	0.66
Other revolving credit and installment	593	1.41	161	1.50	154	1.45	142	1.34	136	1.34
Total consumer	4,294	0.98	910	0.82	956	0.86	1,103	1.01	1,325	1.23
Total	$ 4,509	0.56 %	$ 963	0.47 %	$ 975	0.48 %	$ 1,152	0.58 %	$ 1,419	0.72 %

(1) Quarterly net charge-offs (recoveries) as a percentage of average respective loans are annualized.

Table 39 presents net charge-offs for the four quarters and full year of 2014 and 2013. Net charge-offs in 2014 were $2.9 billion (0.35% of average total loans outstanding) compared with $4.5 billion (0.56%) in 2013. We continued to have strong improvement in our commercial and residential real estate secured portfolios. Our commercial real estate portfolios were in a net recovery position every quarter in 2014 and 2013. Our consumer real estate portfolios continued to benefit from the improvement in the housing market with losses down $1.4 billion, or 55%, from 2013.

ALLOWANCE FOR CREDIT LOSSES The allowance for credit losses, which consists of the allowance for loan losses and the allowance for unfunded credit commitments, is management's estimate of credit losses inherent in the loan portfolio and unfunded credit commitments at the balance sheet date, excluding loans carried at fair value. The detail of the changes in the allowance for credit losses by portfolio segment (including charge-offs and recoveries by loan class) is in Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

We apply a disciplined process and methodology to establish our allowance for credit losses each quarter. This process takes into consideration many factors, including historical and forecasted loss trends, loan-level credit quality ratings and loan grade-specific characteristics. The process involves subjective and complex judgments. In addition, we review a variety of credit metrics and trends. These credit metrics and trends, however, do not solely determine the amount of the allowance as we use several analytical tools. For additional information on our allowance for credit losses, see the "Critical Accounting Policies – Allowance for Credit Losses" section and Note 1 (Summary of Significant Accounting Policies) and Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

Table 40 presents the allocation of the allowance for credit losses by loan segment and class for the last five years.

Table 40: Allocation of the Allowance for Credit Losses (ACL)

	Dec 31, 2014		Dec 31, 2013		Dec 31, 2012		Dec 31, 2011		Dec 31, 2010	
(in millions)	**ACL**	**Loans as % of total loans**	ACL	Loans as % of total loans	ACL	Loans as % of total loans	ACL	Loans as % of total loans	ACL	Loans as % of total loans
Commercial:										
Commercial and industrial	**$ 3,506**	**32%**	$ 3,040	29%	$ 2,789	28%	$ 2,810	27%	$ 3,531	24%
Real estate mortgage	**1,576**	**13**	2,157	14	2,284	13	2,570	14	3,072	13
Real estate construction	**1,097**	**2**	775	2	552	2	893	2	1,387	4
Lease financing	**198**	**1**	131	1	89	2	85	2	179	2
Total commercial	**6,377**	**48**	6,103	46	5,714	45	6,358	45	8,169	43
Consumer:										
Real estate 1-4 family first mortgage	**2,878**	**31**	4,087	32	6,100	31	6,934	30	7,603	30
Real estate 1-4 family junior lien mortgage	**1,566**	**7**	2,534	8	3,462	10	3,897	11	4,557	13
Credit card	**1,271**	**4**	1,224	3	1,234	3	1,294	3	1,945	3
Automobile	**516**	**6**	475	6	417	6	555	6	771	6
Other revolving credit and installment	**561**	**4**	548	5	550	5	630	5	418	5
Total consumer	**6,792**	**52**	8,868	54	11,763	55	13,310	55	15,294	57
Total	**$ 13,169**	**100%**	$ 14,971	100%	$ 17,477	100%	$ 19,668	100%	$ 23,463	100%

	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
Components:					
Allowance for loan losses	**$ 12,319**	14,502	17,060	19,372	23,022
Allowance for unfunded credit commitments	**850**	469	417	296	441
Allowance for credit losses	**$ 13,169**	14,971	17,477	19,668	23,463
Allowance for loan losses as a percentage of total loans	**1.43%**	1.76	2.13	2.52	3.04
Allowance for loan losses as a percentage of total net charge-offs	**418**	322	189	171	130
Allowance for credit losses as a percentage of total loans	**1.53**	1.82	2.19	2.56	3.10
Allowance for credit losses as a percentage of total nonaccrual loans	**103**	96	85	92	89

In addition to the allowance for credit losses, there was $2.9 billion at December 31, 2014, and $5.2 billion at December 31, 2013, of nonaccretable difference to absorb losses for PCI loans. The allowance for credit losses is lower than otherwise would have been required without PCI loan accounting. As a result of PCI loans, certain ratios of the Company may not be directly comparable with credit-related metrics for other financial institutions. For additional information on PCI loans, see the "Risk Management – Credit Risk Management – Purchased Credit-Impaired Loans" section, Note 1 (Summary of Significant Accounting Policies) and Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

The ratio of the allowance for credit losses to total nonaccrual loans may fluctuate significantly from period to period due to such factors as the mix of loan types in the portfolio, borrower credit strength and the value and marketability of collateral. Substantially all of our nonaccrual

loans were real estate 1-4 family first and junior lien mortgage loans at December 31, 2014.

The allowance for credit losses again declined in 2014, which reflected continued credit improvement, particularly in residential real estate and primarily associated with continued improvement in the housing market. The total provision for credit losses was $1.4 billion in 2014, $2.3 billion in 2013 and $7.2 billion in 2012.

The 2014 provision for credit losses was $1.4 billion, $1.6 billion less than net charge-offs, due to strong underlying credit, and improvement in the housing market.

The 2013 provision was $2.3 billion, $2.2 billion less than net charge-offs, and the 2012 provision was $7.2 billion, $1.8 billion less than net charge-offs. In each of 2013 and 2012 the provision was influenced by continually improving credit performance.

We believe the allowance for credit losses of $13.2 billion at December 31, 2014, was appropriate to cover credit losses inherent in the loan portfolio, including unfunded credit commitments, at that date. The allowance for credit losses is subject to change and reflects existing factors as of the date of determination, including economic or market conditions and ongoing internal and external examination processes. Due to the sensitivity of the allowance for credit losses to changes in the economic and business environment, it is possible that we will incur incremental credit losses not anticipated as of the balance sheet date. Future allowance levels may increase or decrease based on a variety of factors, including loan growth, portfolio performance and general economic conditions. Our process for determining the allowance for credit losses is discussed in the "Critical Accounting Policies – Allowance for Credit Losses" section and Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report.

LIABILITY FOR MORTGAGE LOAN REPURCHASE LOSSES

We sell residential mortgage loans to various parties, including (1) government-sponsored entities (GSEs) Federal Home Loan Mortgage Corporation (FHLMC) and Federal National Mortgage Association (FNMA) who include the mortgage loans in GSE-guaranteed mortgage securitizations, (2) SPEs that issue private label MBS, and (3) other financial institutions that purchase mortgage loans for investment or private label securitization. In addition, we pool FHA-insured and VA-guaranteed mortgage loans that are then used to back securities guaranteed by the Government National Mortgage Association (GNMA). We may be required to repurchase these mortgage loans, indemnify the securitization trust, investor or insurer, or reimburse the securitization trust, investor or insurer for credit losses incurred on loans (collectively, repurchase) in the event of a breach of contractual representations or warranties that is not remedied within a period (usually 90 days or less) after we receive notice of the breach. The majority of repurchase demands are on loans that default in the first 24 to 36 months following origination of the mortgage loan.

In connection with our sales and securitization of residential mortgage loans to various parties, we have established a mortgage repurchase liability, initially at fair value, related to various representations and warranties that reflect management's estimate of losses for loans for which we could have a repurchase obligation, whether or not we currently service those loans, based on a combination of factors. Our mortgage repurchase liability estimation process also incorporates a forecast of repurchase demands associated with mortgage insurance rescission activity.

Because we retain the servicing for most of the mortgage loans we sell or securitize, we believe the quality of our residential mortgage loan servicing portfolio provides helpful information in evaluating our repurchase liability. Of the $1.8 trillion in the residential mortgage loan servicing portfolio at December 31, 2014, 94% was current and less than 2% was subprime at origination. Our combined delinquency and foreclosure rate on this portfolio was 5.79% at December 31, 2014, compared with 6.40% at December 31, 2013. Three percent of this portfolio is private label securitizations for which we originated the loans and therefore have some repurchase risk.

The overall level of unresolved repurchase demands and mortgage insurance rescissions outstanding at December 31, 2014, was down from a year ago both in number of outstanding loans and in total dollar balances as we continued to work through the new demands and mortgage insurance rescissions and as we announced settlements with both Federal Home Loan Mortgage Corporation (FHLMC) and Federal National Mortgage Association (FNMA) in 2013, that resolved substantially all repurchase liabilities associated with loans sold to FHLMC prior to January 1, 2009, and loans sold to FNMA that were originated prior to January 1, 2009. Demands from private investors declined from December 31, 2013 primarily due to settlements with two private investors in first quarter 2014 that resolved many of the increased demands we experienced commencing in 2012 and significantly in fourth quarter 2013.

Customary with industry practice, we have the right of recourse against correspondent lenders from whom we have purchased loans with respect to representations and warranties. Historical recovery rates as well as projected lender performance are incorporated in the establishment of our mortgage repurchase liability.

We do not typically receive repurchase requests from GNMA, FHA and the Department of Housing and Urban Development (HUD) or VA. As an originator of an FHA-insured or VA-guaranteed loan, we are responsible for obtaining the insurance with FHA or the guarantee with the VA. To the extent we are not able to obtain the insurance or the guarantee we must request permission to repurchase the loan from the GNMA pool. Such repurchases from GNMA pools typically represent a self-initiated process upon discovery of the uninsurable loan (usually within 180 days from funding of the loan). Alternatively, in lieu of repurchasing loans from GNMA pools, we may be asked by FHA/HUD or the VA to indemnify them (as applicable) for defects found in the Post Endorsement Technical Review process or audits performed by FHA/HUD or the VA. The Post Endorsement Technical Review is a process whereby HUD performs underwriting audits of closed/insured FHA loans for potential deficiencies. Our liability for mortgage loan repurchase losses incorporates probable losses associated with such indemnification.

Table 41 provides the number of unresolved repurchase demands and mortgage insurance rescissions.

Table 41: Unresolved Repurchase Demands and Mortgage Insurance Rescissions

	Government sponsored entities (1)		Private		Mortgage insurance rescissions with no demand (2)		Total	
($ in millions)	Number of loans	Original loan balance (3)	Number of loans	Original loan balance (3)	Number of loans	Original loan balance (3)	Number of loans	Original loan balance (3)
2014								
December 31,	**546**	**$ 118**	**173**	**$ 34**	**120**	**$ 31**	**839**	**$ 183**
September 30,	**426**	**93**	**322**	**75**	**233**	**52**	**981**	**220**
June 30,	**678**	**149**	**362**	**80**	**305**	**66**	**1,345**	**295**
March 31,	**599**	**126**	**391**	**89**	**409**	**90**	**1,399**	**305**
2013								
December 31,	674	124	2,260	497	394	87	3,328	708
September 30,	4,422	958	1,240	264	385	87	6,047	1,309
June 30,	6,313	1,413	1,206	258	561	127	8,080	1,798
March 31,	5,910	1,371	1,278	278	652	145	7,840	1,794

(1) Includes unresolved repurchase demands of 4 and $1 million, 7 and $1 million, 14 and $3 million, 25 and $3 million, 42 and $6 million, 1,247 and $225 million, 942 and $190 million and 674 and $147 million at December 31, September 30, June 30 and March 31, 2014, and December 31, September 30, June 30 and March 31, 2013, respectively, received from investors on mortgage servicing rights acquired from other originators. We generally have the right of recourse against the seller and may be able to recover losses related to such repurchase demands subject to counterparty risk associated with the seller.
(2) As part of our representations and warranties in our loan sales contracts, we typically represent to GSEs and private investors that certain loans have mortgage insurance to the extent there are loans that have loan to value ratios in excess of 80% that require mortgage insurance. To the extent the mortgage insurance is rescinded by the mortgage insurer due to a claim of breach of a contractual representation or warranty, the lack of insurance may result in a repurchase demand from an investor. Similar to repurchase demands, we evaluate mortgage insurance rescission notices for validity and appeal for reinstatement if the rescission was not based on a contractual breach. When investor demands are received due to lack of mortgage insurance, they are reported as unresolved repurchase demands based on the applicable investor category for the loan (GSE or private).
(3) While the original loan balances related to these demands are presented above, the establishment of the repurchase liability is based on a combination of factors, such as our appeals success rates, reimbursement by correspondent and other third party originators, and projected loss severity, which is driven by the difference between the current loan balance and the estimated collateral value less costs to sell the property.

Table 42 summarizes the changes in our mortgage repurchase liability. We incurred net losses on repurchased loans and investor reimbursements totaling $144 million in 2014, compared with $481 million in 2013, excluding the $746 million and the $508 million cash payments for the FHLMC and FNMA settlement agreements, respectively.

Table 42: Changes in Mortgage Repurchase Liability

	Quarter ended					
	Dec 31,	**Sep 30,**	**Jun 30,**	**Mar 31,**	Year ended Dec. 31,	
(in millions)	**2014**	**2014**	**2014**	**2014**	**2014**	2013	2012
Balance, beginning of period	**$ 669**	**766**	**799**	**899**	**899**	2,206	1,326
Provision for repurchase losses:							
Loan sales	**10**	**12**	**12**	**10**	**44**	143	275
Change in estimate (1)	**(49)**	**(93)**	**(38)**	**(4)**	**(184)**	285	1,665
Total additions (reductions)	**(39)**	**(81)**	**(26)**	**6**	**(140)**	428	1,940
Losses (2)	**(15)**	**(16)**	**(7)**	**(106)**	**(144)**	(1,735)	(1,060)
Balance, end of period	**$ 615**	**669**	**766**	**799**	**615**	899	2,206

(1) Results from changes in investor demand and mortgage insurer practices, credit deterioration and changes in the financial stability of correspondent lenders.
(2) Year ended December 31, 2013, reflects $746 million as a result of the agreement with FHLMC that resolves substantially all repurchase liabilities related to loans sold to FHLMC prior to January 1, 2009. Year ended December 31, 2013, reflects $508 million as a result of the agreement with FNMA that resolves substantially all repurchase liabilities related to loans sold to FNMA that were originated prior to January 1, 2009.

Our liability for mortgage repurchases, included in "Accrued expenses and other liabilities" in our consolidated balance sheet, represents our best estimate of the probable loss that we expect to incur for various representations and warranties in the contractual provisions of our sales of mortgage loans. The mortgage repurchase liability estimation process requires management to make difficult, subjective and complex judgments about matters that are inherently uncertain, including demand expectations, economic factors, and the specific characteristics of the loans subject to repurchase. Our evaluation considers all vintages and the collective actions of the GSEs and their regulator, the Federal Housing Finance Agency (FHFA), mortgage insurers and our correspondent lenders. We maintain regular contact with the GSEs, the FHFA, and other significant investors to monitor their repurchase demand practices and issues as part of our process to update our repurchase liability estimate as new information becomes available. The liability was $615 million at December 31, 2014, and $899 million at December 31, 2013. In 2014, we released $140 million, which increased net gains on mortgage loan origination/sales activities, compared with a provision of $428 million in 2013. The release in 2014 was primarily due to a re-estimation of our liability based on recently observed trends.

Because of the uncertainty in the various estimates underlying the mortgage repurchase liability, there is a range of losses in excess of the recorded mortgage repurchase liability that are reasonably possible. The estimate of the range of possible loss for representations and warranties does not

represent a probable loss, and is based on currently available information, significant judgment, and a number of assumptions that are subject to change. The high end of this range of reasonably possible losses in excess of our recorded liability was $973 million at December 31, 2014, and was determined based upon modifying the assumptions (particularly to assume significant changes in investor repurchase demand practices) used in our best estimate of probable loss to reflect what we believe to be the high end of reasonably possible adverse assumptions.

Table 43 provides information on the sensitivity of the mortgage repurchase liability estimate to changes in assumptions. For additional information on our repurchase liability, see Note 9 (Mortgage Banking Activities) to Financial Statements in this Report.

Table 43: Mortgage Repurchase Liability - Sensitivity Assumptions

(in millions)		Mortgage repurchase liability
Balance at December 31, 2014	$	615
Loss on repurchases (1)		28.4%
Increase in liability from:		
10% higher losses	$	57
25% higher losses		141
Repurchase rate assumption (2)		0.2%
Increase in liability from:		
10% higher repurchase rates	$	48
25% higher repurchase rates		120

(1) Represents total estimated average loss rate on repurchased loans, net of recovery from third party originators, based on historical experience and current economic conditions. The average loss rate includes the impact of repurchased loans for which no loss is expected to be realized.

(2) Represents the combination of the estimated investor audit/file review rate, the investor demand rate on those audited loans, and the unsuccessful appeal rate on those demands. As such, the repurchase rate can be significantly impacted by changes in investor behavior if they decide to review/audit more loans or demand more repurchases on the loans they audit. These behavior changes drive a significant component of our estimated high end of the range of reasonably possible losses in excess of our recorded repurchase liability, which includes adverse assumptions in excess of the sensitivity ranges presented in this table.

RISKS RELATING TO SERVICING ACTIVITIES In addition to servicing loans in our portfolio, we act as servicer and/or master servicer of residential mortgage loans included in GSE-guaranteed mortgage securitizations, GNMA-guaranteed mortgage securitizations of FHA-insured/VA-guaranteed mortgages and private label mortgage securitizations, as well as for unsecuritized loans owned by institutional investors. The following discussion summarizes the primary duties and requirements of servicing and related industry developments.

General Servicing Duties and Requirements

The loans we service were originated by us or by other mortgage loan originators. As servicer, our primary duties are typically to (1) collect payments due from borrowers, (2) advance certain delinquent payments of principal and interest on the mortgage loans, (3) maintain and administer any hazard, title or primary mortgage insurance policies relating to the mortgage loans, (4) maintain any required escrow accounts for payment of taxes and insurance and administer escrow payments, (5) foreclose on defaulted mortgage loans or, to the extent consistent with the related servicing agreement, consider alternatives to foreclosure, such as loan modifications or short sales, and (6) for loans sold into private label securitizations, manage the foreclosed property through liquidation. As master servicer, our primary duties are typically to (1) supervise, monitor and oversee the servicing of the mortgage loans by the servicer, (2) consult with each servicer and use reasonable efforts to cause the servicer to observe its servicing obligations, (3) prepare monthly distribution statements to security holders and, if required by the securitization documents, certain periodic reports required to be filed with the SEC, (4) if required by the securitization documents, calculate distributions and loss allocations on the mortgage-backed securities, (5) prepare tax and information returns of the securitization trust, and (6) advance amounts required by non-affiliated servicers who fail to perform their advancing obligations.

Each agreement under which we act as servicer or master servicer generally specifies a standard of responsibility for actions we take in such capacity and provides protection against expenses and liabilities we incur when acting in compliance with the specified standard. For example, most private label securitization agreements under which we act as servicer or master servicer typically provide that the servicer and the master servicer are entitled to indemnification by the securitization trust for taking action or refraining from taking action in good faith or for errors in judgment. However, we are not indemnified, but rather are required to indemnify the securitization trustee, against any failure by us, as servicer or master servicer, to perform our servicing obligations or against any of our acts or omissions that involve willful misfeasance, bad faith or gross negligence in the performance of, or reckless disregard of, our duties. In addition, if we commit a material breach of our obligations as servicer or master servicer, we may be subject to termination if the breach is not cured within a specified period following notice, which can generally be given by the securitization trustee or a specified percentage of security holders. Whole loan sale contracts under which we act as servicer generally include similar provisions with respect to our actions as servicer. The standards governing servicing in GSE-guaranteed securitizations, and the possible remedies for violations of such standards, vary, and those standards and remedies are determined by servicing guides maintained by the GSEs, contracts between the GSEs and individual servicers and topical guides published by the GSEs from time to time. Such remedies could include indemnification or repurchase of an affected mortgage loan.

Consent Orders and Settlement Agreements for Mortgage Servicing and Foreclosure Practices

In connection with our servicing activities we have entered into various settlements with federal and state regulators to resolve certain alleged servicing issues and practices. In general, these settlements required us to provide customers with loan modification relief, refinancing relief, and foreclosure prevention and assistance, as well as imposed certain monetary penalties on us.

In particular, on February 28, 2013, we entered into amendments to an April 2011 Consent Order with both the Office of the Comptroller of the Currency (OCC) and the FRB, which effectively ceased the Independent Foreclosure Review program created by such Consent Order and replaced it with an accelerated remediation commitment to provide foreclosure prevention actions on $1.2 billion of residential mortgage loans, subject to a process to be administered by the OCC and the FRB. During 2014, we believe we reported sufficient foreclosure prevention actions to the monitor of the accelerated remediation

process to meet the $1.2 billion commitment, but are awaiting monitor approval.

In addition, on February 9, 2012, a federal/state settlement was announced among the DOJ, HUD, the Department of the Treasury, the Department of Veteran Affairs, the Federal Trade Commission, the Executive Office of the U.S. Trustee, the Consumer Financial Protection Bureau, a task force of Attorneys General, Wells Fargo, and four other servicers related to investigations of mortgage industry servicing and foreclosure practices. Under the terms of this settlement, we agreed to certain programmatic commitments, consisting of three components totaling approximately $5.3 billion. As announced on March 18, 2014, we have successfully fulfilled our remaining commitments (and state-level sub-commitments) in accordance with the terms of this settlement.

Asset/Liability Management

Asset/liability management involves evaluating, monitoring and managing interest rate risk, market risk, liquidity and funding. Primary oversight of interest rate risk and market risk resides with the Finance Committee of our Board of Directors (Board), which oversees the administration and effectiveness of financial risk management policies and processes used to assess and manage these risks. Primary oversight of liquidity and funding resides with the Risk Committee of the Board. At the management level we utilize a Corporate Asset/Liability Management Committee (Corporate ALCO), which consists of senior financial, risk, and business executives, to oversee these risks and report on them periodically to the Board's Finance Committee and Risk Committee as appropriate. Each of our principal lines of business has its own asset/liability management committee and process linked to the Corporate ALCO process. As discussed in more detail for trading activities below, we employ separate management level oversight specific to market risk. Market risk, in its broadest sense, refers to the possibility that losses will result from the impact of adverse changes in market rates and prices on our trading and non-trading portfolios and financial instruments.

INTEREST RATE RISK Interest rate risk, which potentially can have a significant earnings impact, is an integral part of being a financial intermediary. We are subject to interest rate risk because:

- assets and liabilities may mature or reprice at different times (for example, if assets reprice faster than liabilities and interest rates are generally falling, earnings will initially decline);
- assets and liabilities may reprice at the same time but by different amounts (for example, when the general level of interest rates is falling, we may reduce rates paid on checking and savings deposit accounts by an amount that is less than the general decline in market interest rates);
- short-term and long-term market interest rates may change by different amounts (for example, the shape of the yield curve may affect new loan yields and funding costs differently);
- the remaining maturity of various assets or liabilities may shorten or lengthen as interest rates change (for example, if long-term mortgage interest rates decline sharply, MBS held in the investment securities portfolio may prepay significantly earlier than anticipated, which could reduce portfolio income); or
- interest rates may also have a direct or indirect effect on loan demand, collateral values, credit losses, mortgage origination volume, the fair value of MSRs and other financial instruments, the value of the pension liability and other items affecting earnings.

We assess interest rate risk by comparing outcomes under various earnings simulations using many interest rate scenarios that differ in the direction of interest rate changes, the degree of change over time, the speed of change and the projected shape of the yield curve. These simulations require assumptions regarding how changes in interest rates and related market conditions could influence drivers of earnings and balance sheet composition such as loan origination demand, prepayment speeds, deposit balances and mix, as well as pricing strategies.

Our risk measures include both net interest income sensitivity and interest rate sensitive noninterest income and expense impacts. We refer to the combination of these exposures as interest rate sensitive earnings. In general, the Company is positioned to benefit from higher interest rates. Currently, our profile is such that net interest income will benefit from higher interest rates as our assets reprice faster and to a greater degree than our liabilities, and, in response to lower market rates, our assets will reprice downward and to a greater degree than our liabilities. Our interest rate sensitive noninterest income and expense is largely driven by mortgage activity, and tends to move in the opposite direction of our net interest income. So, in response to higher interest rates, mortgage activity, primarily refinancing activity, generally declines. And in response to lower rates, mortgage activity generally increases. Mortgage results are also impacted by the valuation of MSRs and related hedge positions. See the "Risk Management - Asset/Liability Management - Mortgage Banking Interest Rate and Market Risk" section in this Report for more information.

The degree to which these sensitivities offset each other is dependent upon the timing and magnitude of changes in interest rates, and the slope of the yield curve. During a transition to a higher or lower interest rate environment, a reduction or increase in interest-sensitive earnings from the mortgage banking business could occur quickly, while the benefit or detriment from balance sheet repricing could take more time to develop. For example, our lower rate scenarios (scenario 1 and scenario 2) in the following table initially measure a decline in long-term interest rates versus our most likely scenario. Although the performance in these rate scenarios contain initial benefit from increased mortgage banking activity, the result is lower earnings relative to the most likely scenario over time given pressure on net interest income. The higher rate scenarios (scenario 3 and scenario 4) measure the impact of varying degrees of rising short-term and long-term interest rates over the course of the forecast horizon relative to the most likely scenario, both resulting in positive earnings sensitivity.

As of December 31, 2014, our most recent simulations estimate earnings at risk over the next 24 months under a range of both lower and higher interest rates. The results of the simulations are summarized in Table 44, indicating cumulative net income after tax earnings sensitivity relative to the most likely earnings plan over the 24 month horizon (a positive range indicates a beneficial earnings sensitivity measurement relative to the most likely earnings plan and a negative range indicates a detrimental earnings sensitivity relative to the most likely earnings plan).

Table 44: Earnings Sensitivity Over 24 Month Horizon Relative to Most Likely Earnings Plan

	Most likely	Lower rates		Higher rates	
		Scenario 1	Scenario 2	Scenario 3	Scenario 4
Ending rates:					
Federal funds	1.87 %	0.25	1.61	2.10	5.00
10-year treasury (1)	3.76	1.70	3.26	4.26	6.01
Earnings relative to most likely	N/A	(2)-(3) %	(1)-(2)	0 - 5	>5

(1) U.S. Constant Maturity Treasury Rate

We use the investment securities portfolio and exchange-traded and over-the-counter (OTC) interest rate derivatives to hedge our interest rate exposures. See the "Balance Sheet Analysis - Investment Securities" section in this Report for more information on the use of the available-for-sale and held-to-maturity securities portfolios. The notional or contractual amount, credit risk amount and fair value of the derivatives used to hedge our interest rate risk exposures as of December 31, 2014, and December 31, 2013, are presented in Note 16 (Derivatives) to Financial Statements in this Report. We use derivatives for asset/liability management in two main ways:

- to convert the cash flows from selected asset and/or liability instruments/portfolios, including investments, commercial loans and long-term debt, from fixed-rate payments to floating-rate payments, or vice versa; and
- to economically hedge our mortgage origination pipeline, funded mortgage loans and MSRs using interest rate swaps, swaptions, futures, forwards and options.

MORTGAGE BANKING INTEREST RATE AND MARKET RISK

We originate, fund and service mortgage loans, which subjects us to various risks, including credit, liquidity and interest rate risks. Based on market conditions and other factors, we reduce credit and liquidity risks by selling or securitizing some or all of the long-term fixed-rate mortgage loans we originate and most of the ARMs we originate. On the other hand, we may hold originated ARMs and fixed-rate mortgage loans in our loan portfolio as an investment for our growing base of core deposits. We determine whether the loans will be held for investment or held for sale at the time of commitment. We may subsequently change our intent to hold loans for investment and sell some or all of our ARMs or fixed-rate mortgages as part of our corporate asset/liability management. We may also acquire and add to our securities available for sale a portion of the securities issued at the time we securitize MHFS.

As expected, with the increase in average mortgage interest rates in 2014, our mortgage banking revenue declined as the level of mortgage loan refinance activity decreased compared with 2013. The decline in mortgage loan origination income (primarily driven by the decline in mortgage loan refinancing volume) more than offset the increase in net servicing income. Despite the increase in average mortgage interest rates, the slow recovery in the housing sector, and the continued lack of liquidity in the nonconforming secondary markets, our mortgage banking revenue was strong in 2014, reflecting the complementary origination and servicing strengths of the business. The secondary market for agency-conforming mortgages functioned well during 2014.

Interest rate and market risk can be substantial in the mortgage business. Changes in interest rates may potentially reduce total origination and servicing fees, the value of our residential MSRs measured at fair value, the value of MHFS and the associated income and loss reflected in mortgage banking noninterest income, the income and expense associated with instruments (economic hedges) used to hedge changes in the fair value of MSRs and MHFS, and the value of derivative loan commitments (interest rate "locks") extended to mortgage applicants.

Interest rates affect the amount and timing of origination and servicing fees because consumer demand for new mortgages and the level of refinancing activity are sensitive to changes in mortgage interest rates. Typically, a decline in mortgage interest rates will lead to an increase in mortgage originations and fees and may also lead to an increase in servicing fee income, depending on the level of new loans added to the servicing portfolio and prepayments. Given the time it takes for consumer behavior to fully react to interest rate changes, as well as the time required for processing a new application, providing the commitment, and securitizing and selling the loan, interest rate changes will affect origination and servicing fees with a lag. The amount and timing of the impact on origination and servicing fees will depend on the magnitude, speed and duration of the change in interest rates.

We measure originations of MHFS at fair value where an active secondary market and readily available market prices exist to reliably support fair value pricing models used for these loans. Loan origination fees on these loans are recorded when earned, and related direct loan origination costs are recognized when incurred. We also measure at fair value certain of our other interests held related to residential loan sales and securitizations. We believe fair value measurement for MHFS and other interests held, which we hedge with free-standing derivatives (economic hedges) along with our MSRs measured at fair value, reduces certain timing differences and better matches changes in the value of these assets with changes in the value of derivatives used as economic hedges for these assets. During 2014 and 2013, in response to continued secondary market illiquidity, we continued to originate certain prime non-agency loans to be held for investment for the foreseeable future rather than to be held for sale. In addition, in 2013, we originated certain prime agency-eligible loans to be held for investment as part of our asset/liability management strategy.

We initially measure all of our MSRs at fair value and carry substantially all of them at fair value depending on our strategy for managing interest rate risk. Under this method, the MSRs are recorded at fair value at the time we sell or securitize the related mortgage loans. The carrying value of MSRs carried at fair value reflects changes in fair value at the end of each quarter and changes are included in net servicing income, a component of mortgage banking noninterest income. If the fair value of the MSRs increases, income is recognized; if the fair value of the MSRs decreases, a loss is recognized. We use a dynamic and sophisticated model to estimate the fair value of our MSRs and periodically benchmark our estimates to independent appraisals. The valuation of MSRs can be highly subjective and involve complex judgments by management about matters that are inherently unpredictable. See "Critical Accounting Policies - Valuation of Residential Mortgage Servicing Rights" section in this Report for additional information. Changes in interest rates influence a variety of significant assumptions included in the periodic valuation of MSRs, including prepayment speeds, expected returns and potential risks on the servicing asset portfolio, the value of escrow balances and other servicing valuation elements.

A decline in interest rates generally increases the propensity for refinancing, reduces the expected duration of the servicing portfolio and therefore reduces the estimated fair value of MSRs. This reduction in fair value causes a charge to income for MSRs carried at fair value, net of any gains on free-standing derivatives

(economic hedges) used to hedge MSRs. We may choose not to fully hedge all the potential decline in the value of our MSRs resulting from a decline in interest rates because the potential increase in origination/servicing fees in that scenario provides a partial "natural business hedge." An increase in interest rates generally reduces the propensity for refinancing, extends the expected duration of the servicing portfolio and therefore increases the estimated fair value of the MSRs. However, an increase in interest rates can also reduce mortgage loan demand and therefore reduce origination income.

The price risk associated with our MSRs is economically hedged with a combination of highly liquid interest rate forward instruments including mortgage forward contracts, interest rate swaps and interest rate options. All of the instruments included in the hedge are marked to market daily. Because the hedging instruments are traded in highly liquid markets, their prices are readily observable and are fully reflected in each quarter's mark to market. Quarterly MSR hedging results include a combination of directional gain or loss due to market changes as well as any carry income generated. If the economic hedge is effective, its overall directional hedge gain or loss will offset the change in the valuation of the underlying MSR asset. Gains or losses associated with these economic hedges are included in mortgage banking noninterest income. Consistent with our longstanding approach to hedging interest rate risk in the mortgage business, the size of the hedge and the particular combination of forward hedging instruments at any point in time is designed to reduce the volatility of the mortgage business's earnings over various time frames within a range of mortgage interest rates. Because market factors, the composition of the mortgage servicing portfolio and the relationship between the origination and servicing sides of our mortgage business change continually, the types of instruments used in our hedging are reviewed daily and rebalanced based on our evaluation of current market factors and the interest rate risk inherent in our MSRs portfolio. Throughout 2014, our economic hedging strategy generally used forward mortgage purchase contracts that were effective at offsetting the impact of interest rates on the value of the MSR asset.

Mortgage forward contracts are designed to pass the full economics of the underlying reference mortgage securities to the holder of the contract, including both the directional gain and loss from the forward delivery of the reference securities and the corresponding carry income. Carry income represents the contract's price accretion from the forward delivery price to the spot price including both the yield earned on the reference securities and the market implied cost of financing during the period. The actual amount of carry income earned on the hedge each quarter will depend on the amount of the underlying asset that is hedged and the particular instruments included in the hedge. The level of carry income is driven by the slope of the yield curve and other market driven supply and demand factors affecting the specific reference securities. A steep yield curve generally produces higher carry income while a flat or inverted yield curve can result in lower or potentially negative carry income. The level of carry income is also affected by the type of instrument used. In general, mortgage forward contracts tend to produce higher carry income than interest rate swap contracts. Carry income is recognized over the life of the mortgage forward as a component of the contract's mark to market gain or loss.

Hedging the various sources of interest rate risk in mortgage banking is a complex process that requires sophisticated modeling and constant monitoring. While we attempt to balance these various aspects of the mortgage business, there are several potential risks to earnings:

- Valuation changes for MSRs associated with interest rate changes are recorded in earnings immediately within the accounting period in which those interest rate changes occur, whereas the impact of those same changes in interest rates on origination and servicing fees occur with a lag and over time. Thus, the mortgage business could be protected from adverse changes in interest rates over a period of time on a cumulative basis but still display large variations in income from one accounting period to the next.
- The degree to which our net gains on loan originations offsets valuation changes for MSRs is imperfect, varies at different points in the interest rate cycle, and depends not just on the direction of interest rates but on the pattern of quarterly interest rate changes.
- Origination volumes, the valuation of MSRs and hedging results and associated costs are also affected by many factors. Such factors include the mix of new business between ARMs and fixed-rate mortgages, the relationship between short-term and long-term interest rates, the degree of volatility in interest rates, the relationship between mortgage interest rates and other interest rate markets, and other interest rate factors. Additional factors that can impact the valuation of the MSRs include changes in servicing and foreclosure costs due to changes in investor or regulatory guidelines, as well as individual state foreclosure legislation, and changes in discount rates due to market participants requiring a higher return due to updated market expectations on costs and risks associated with investing in MSRs. Many of these factors are hard to predict and we may not be able to directly or perfectly hedge their effect.
- While our hedging activities are designed to balance our mortgage banking interest rate risks, the financial instruments we use may not perfectly correlate with the values and income being hedged. For example, the change in the value of ARM production held for sale from changes in mortgage interest rates may or may not be fully offset by Treasury and LIBOR index-based financial instruments used as economic hedges for such ARMs. Additionally, hedge-carry income we earn on our economic hedges for the MSRs may not continue if the spread between short-term and long-term rates decreases, we shift composition of the hedge to more interest rate swaps, or there are other changes in the market for mortgage forwards that affect the implied carry.

The total carrying value of our residential and commercial MSRs was $14.0 billion and $16.8 billion at December 31, 2014 and 2013, respectively. The weighted-average note rate on our portfolio of loans serviced for others was 4.45% and 4.52% at December 31, 2014 and 2013, respectively. The carrying value of our total MSRs represented 0.75% and 0.88% of mortgage loans serviced for others at December 31, 2014 and 2013, respectively.

As part of our mortgage banking activities, we enter into commitments to fund residential mortgage loans at specified times in the future. A mortgage loan commitment is an interest rate lock that binds us to lend funds to a potential borrower at a specified interest rate and within a specified period of time, generally up to 60 days after inception of the rate lock. These loan commitments are derivative loan commitments if the loans that will result from the exercise of the commitments will be held for sale. These derivative loan commitments are recognized at fair value on the balance sheet with changes in their fair values recorded as part of mortgage banking noninterest income. The fair value of these commitments include, at inception and during

the life of the loan commitment, the expected net future cash flows related to the associated servicing of the loan as part of the fair value measurement of derivative loan commitments. Changes subsequent to inception are based on changes in fair value of the underlying loan resulting from the exercise of the commitment and changes in the probability that the loan will not fund within the terms of the commitment, referred to as a fall-out factor. The value of the underlying loan commitment is affected primarily by changes in interest rates and the passage of time.

Outstanding derivative loan commitments expose us to the risk that the price of the mortgage loans underlying the commitments might decline due to increases in mortgage interest rates from inception of the rate lock to the funding of the loan. To minimize this risk, we employ mortgage forwards and options, Eurodollar futures and options, and Treasury futures, forwards and options contracts as economic hedges against the potential decreases in the values of the loans. We expect that these derivative financial instruments will experience changes in fair value that will either fully or partially offset the changes in fair value of the derivative loan commitments. However, changes in investor demand, such as concerns about credit risk, can also cause changes in the spread relationships between underlying loan value and the derivative financial instruments that cannot be hedged.

MARKET RISK - TRADING ACTIVITIES The Finance Committee of our Board of Directors reviews the acceptable market risk appetite for our trading activities. We engage in trading activities primarily to accommodate the investment and risk management activities of our customers, execute economic hedging to manage certain balance sheet risks and, to a very limited degree, for proprietary trading for our own account. These activities primarily occur within our Wholesale Banking businesses and to a lesser extent other divisions of the Company. This includes entering into transactions with our customers that are recorded as trading assets and liabilities on our balance sheet. All of our trading assets and liabilities, including securities, foreign exchange transactions, commodity transactions, and derivatives are carried at fair value. Income earned related to these trading activities include net interest income and changes in fair value related to trading assets and liabilities. Net interest income earned on trading assets and liabilities is reflected in the interest income and interest expense components of our income statement. Changes in fair value of trading assets and liabilities are reflected in net gains on trading activities, a component of noninterest income in our income statement.

Table 45 presents total revenue from trading activities.

Table 45: Income from Trading Activities

	Year ended December 31,		
(in millions)	**2014**	2013	2012
Interest income (1)	**$ 1,685**	1,376	1,358
Less: Interest expense (2)	**382**	307	245
Net interest income	**1,303**	1,069	1,113
Noninterest income:			
Net gains from trading activities (3):			
Customer accommodation	**924**	1,278	1,347
Economic hedges and other (4)	**233**	332	345
Proprietary trading	**4**	13	15
Total net trading gains	**1,161**	1,623	1,707
Total trading-related net interest and noninterest income	**$ 2,464**	2,692	2,820

(1) Represents interest and dividend income earned on trading securities.
(2) Represents interest and dividend expense incurred on trading securities we have sold but have not yet purchased.
(3) Represents realized gains (losses) from our trading activity and unrealized gains (losses) due to changes in fair value of our trading positions, attributable to the type of business activity.
(4) Excludes economic hedging of mortgage banking activities and asset/liability management.

Customer accommodation Customer accommodation activities are conducted to help customers manage their investment and risk management needs. We engage in market-making activities or act as an intermediary to purchase or sell financial instruments in anticipation of or in response to customer needs. This category also includes positions we use to manage our exposure to customer transactions.

For the majority of our customer accommodation trading, we serve as intermediary between buyer and seller. For example, we may purchase or sell a derivative to a customer who wants to manage interest rate risk exposure. We typically enter into offsetting derivative or security positions with a separate counterparty or exchange to manage our exposure to the derivative with our customer. We earn income on this activity based on the transaction price difference between the customer and offsetting derivative or security positions, which is reflected in the fair value changes of the positions recorded in net gains on trading activities.

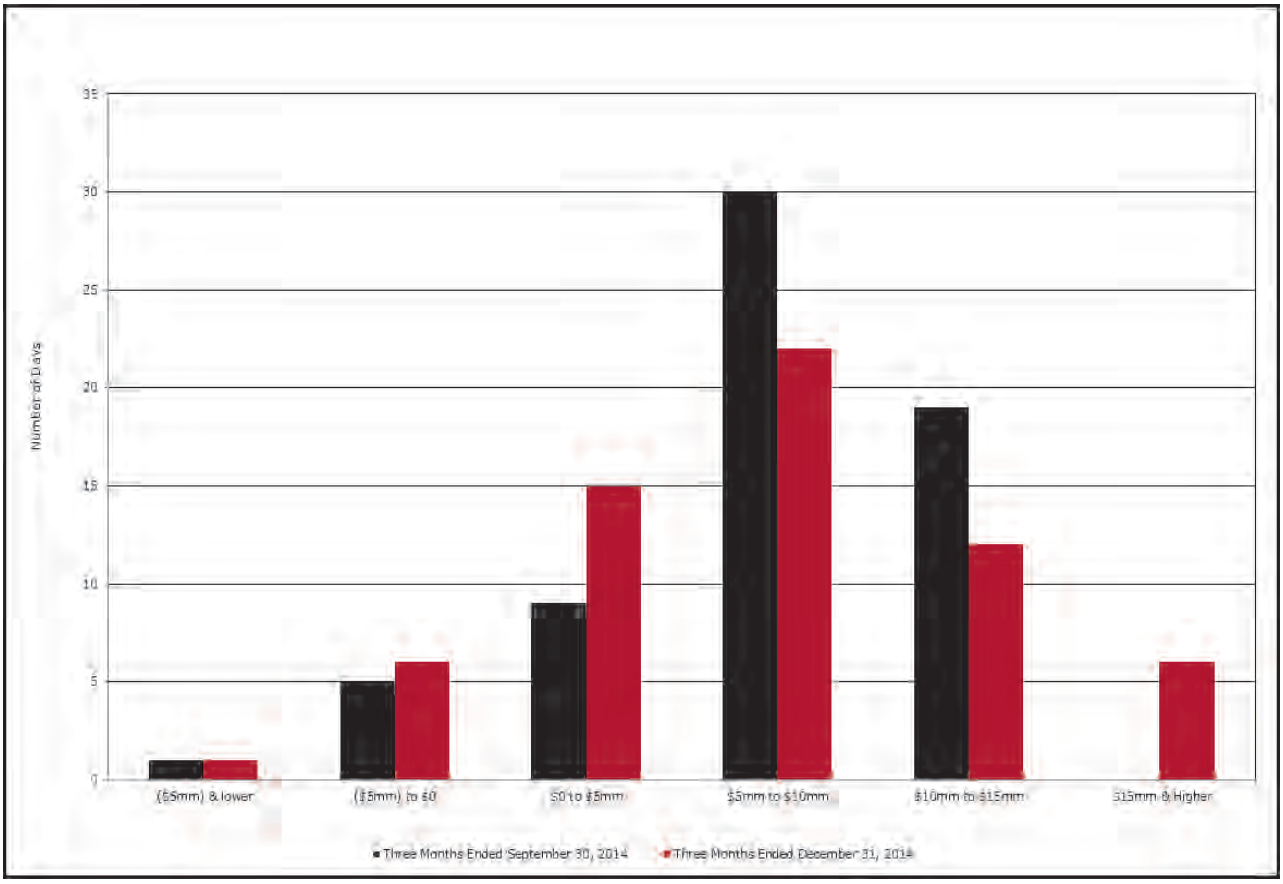
Customer accommodation trading also includes net gains related to market-making activities in which we take positions to facilitate customer order flow. For example, we may own securities recorded as trading assets (long positions) or sold securities we have not yet purchased, recorded as trading liabilities (short positions), typically on a short-term basis, to facilitate support of buying and selling demand from our customers. As a market maker in these securities, we earn income due to: (1) the difference between the price paid or received for the purchase and sale of the security (bid-ask spread), (2) the net interest income, and (3) the change in fair value of the long or short positions during the short-term period held on our balance sheet. Additionally, we may enter into separate derivative or security positions to manage our exposure related to our long or short security positions. Collectively, income earned on this type of market-making activity is reflected in the fair value changes of these positions recorded in net gain on trading activities.

Economic hedges and other Economic hedges in trading are not designated in a hedge accounting relationship and exclude economic hedging related to our asset/liability risk management and substantially all mortgage banking risk management activities. Economic hedging activities include the use of trading securities to economically hedge risk exposures related to non-trading activities or derivatives to hedge risk exposures related to trading assets or trading liabilities. Economic hedges are unrelated to our customer accommodation activities. Other activities include financial assets held for investment purposes that we elected to carry at fair value with changes in fair value recorded to earnings in order to mitigate accounting measurement mismatches or avoid embedded derivative accounting complexities.

Proprietary trading Proprietary trading consists of security or derivative positions executed for our own account based upon market expectations or to benefit from price differences between financial instruments and markets. Proprietary trading activity has been substantially restricted by the Dodd-Frank Act provisions known as the "Volcker Rule." Accordingly, we reduced and are exiting certain business activities in anticipation of the rule's compliance date. As discussed within this section and the noninterest income section of our financial results, proprietary trading activity is insignificant to our business and financial results. For more details on the Volcker Rule, see the "Regulatory Reform" section in this Report.

Daily Trading-Related Revenue Table 46 provides information on the distribution of daily trading-related revenues for the Company's trading portfolio. This trading-related revenue is defined as the change in value of the trading assets and trading liabilities, trading-related net interest income, and trading-related intra-day gains and losses. Net trading-related revenue does not include activity related to long-term positions held for economic hedging purposes, period-end adjustments, and other activity not representative of daily price changes driven by market factors.

Table 46: Distribution of Daily Trading-Related Revenues



Market Risk is the risk of adverse changes in the fair value of the trading portfolios and financial instruments held by the Company due to changes in market risk factors such as interest rates, credit spreads, foreign exchange rates, equity, and commodity prices. Market risk is intrinsic to the Company's sales and trading, market making, investing, and risk management activities.

The Company uses Value-at-Risk (VaR) metrics complemented with sensitivity analysis and stress testing in measuring and monitoring market risk. These market risk measures are monitored at both the business unit level and at aggregated levels on a daily basis. Our corporate market risk management function aggregates and monitors all exposures to ensure risk measures are within our established risk appetite. Changes to the market risk profile are analyzed and reported on a daily basis. The Company monitors various market risk exposure measures from a variety of perspectives, which include line of business, product, risk type, and legal entity.

VaR is a statistical risk measure used to estimate the potential loss from adverse moves in the financial markets. The VaR measures assume that historical changes in market values (historical simulation analysis) are representative of the potential future outcomes and measure the expected loss over a given time interval (for example, 1 day or 10 days) within a given confidence level. Our historical simulation analysis approach uses historical observations of daily changes of each of the market risk factors from each trading day in the previous 12 months. The risk drivers of each market risk exposure are updated on a daily basis. We measure and report VaR for a 1-day holding period at a 99% confidence level. This means that we would expect to incur single day losses greater than predicted by VaR estimates for the measured positions one time in every 100 trading days. We treat data from all historical periods as equally relevant and consider using data for the previous 12 months as appropriate for determining VaR. We believe using a 12-month look back period helps ensure the Company's VaR is responsive to current market conditions.

VaR measurement between different financial institutions is not readily comparable due to modeling and assumption differences from company to company. VaR measures are more useful when interpreted as an indication of trends rather than an absolute measure to be compared across financial institutions.

VaR models are subject to limitations which include, but are not limited to, the use of historical changes in market factors that may not accurately reflect future changes in market factors, and the inability to predict market liquidity in extreme market conditions. All limitations such as model inputs, model assumptions, and calculation methodology risk are monitored by the Corporate Market Risk Group and the Corporate Model Risk Group.

The VaR models measure exposure to the following categories:

- credit risk - exposures from corporate credit spreads, asset-backed security spreads, and mortgage prepayments.
- interest rate risk - exposures from changes in the level, scope, and curvature of interest rate curves and the volatility of interest rates.
- equity risk - exposures to changes in equity prices and volatilities of single name, index, and basket exposure.
- commodity risk - exposures to changes in commodity prices and volatilities.
- foreign exchange risk - exposures to changes in foreign exchange rates and volatilities.

VaR is the primary market risk management measure for the assets and liabilities classified as trading and is used as a supplemental analysis tool to monitor exposures classified as available for sale (AFS) and other exposures that we carry at fair value.

Trading VaR is the measure used to provide insight into the market risk exhibited by the Company's trading positions. The Company calculates Trading VaR for risk management purposes to establish line of business and Company-wide risk limits. Trading VaR is calculated based on all trading positions classified as trading assets or trading liabilities on our balance sheet.

Table 47 shows the results of the Company's Trading VaR by risk category. As presented in the table, average Trading VaR was $21 million for the quarter ended December 31, 2014, compared with $17 million for the quarter ended September 30, 2014. The increase was primarily driven by changes in portfolio composition.

Table 47: Trading 1-Day 99% General VaR Risk Category

	Quarter ended							
	December 31, 2014				September 30, 2014			
(in millions)	Period end	Average	Low	High	Period end	Average	Low	High
General VaR Risk Categories								
Credit	**$ 10**	**14**	**10**	**19**	17	16	12	20
Interest rate	**24**	**27**	**19**	**37**	29	30	25	39
Equity	**9**	**8**	**6**	**12**	8	7	6	9
Commodity	**1**	**1**	**1**	**2**	1	1	1	1
Foreign exchange	**1**	**1**	**—**	**1**	—	1	—	1
Diversification benefit (1)	**(23)**	**(30)**			(37)	(38)		
Total VaR	**22**	**21**			18	17		

(1) The period-end VaR was less than the sum of the VaR components described above, which is due to portfolio diversification. The diversification effect arises because the risks are not perfectly correlated causing a portfolio of positions to usually be less risky than the sum of the risks of the positions alone. The diversification benefit is not meaningful for low and high metrics since they may occur on different days.

Sensitivity Analysis Given the inherent limitations of the VaR models, the Company uses other measures, including sensitivity analysis, to measure and monitor risk. Sensitivity analysis is the measure of exposure to a single risk factor, such as a 0.01% increase in interest rates or a 1% increase in equity prices. We conduct and monitor sensitivity on interest rates, credit spreads, volatility, equity, commodity, and foreign exchange exposure. Sensitivity analysis complements VaR as it provides an indication of risk relative to each factor irrespective of historical market moves.

Stress Testing While VaR captures the risk of loss due to adverse changes in markets using recent historical market data, stress testing captures the Company's exposure to extreme but low probability market movements. Stress scenarios estimate the risk of losses based on management's assumptions of abnormal but severe market movements such as severe credit spread widening or a large decline in equity prices. These scenarios assume that the market moves happen instantaneously and no repositioning or hedging activity takes place to mitigate losses as events unfold (a conservative approach since experience demonstrates otherwise).

An inventory of scenarios is maintained representing both historical and hypothetical stress events that affect a broad range of market risk factors with varying degrees of correlation and differing time horizons. Hypothetical scenarios assess the impact of large movements in financial variables on portfolio values. Typical examples include a 100 basis point increase across the yield curve or a 10% decline in stock market indexes. Historical scenarios utilize an event-driven approach: the stress scenarios are based on plausible but rare events, and the analysis addresses how these events might affect the risk factors relevant to a portfolio.

The Company's stress testing framework is also used in calculating results in support of the Federal Reserve Board's Comprehensive Capital Analysis & Review (CCAR) and internal stress tests. Stress scenarios are regularly reviewed and updated to address potential market events or concerns. For more detail on the CCAR process, see the "Capital Management" section in this Report.

Regulatory Market Risk Capital is based on U.S. regulatory agency risk-based capital regulations that are based on the Basel Committee Capital Accord of the Basel Committee on Banking Supervision. Prior to January 1, 2013, U.S. banking regulators' market risk capital requirements were subject to Basel I and thereafter based on Basel 2.5. Effective January 1, 2014, the Company must calculate regulatory capital based on the Basel III market risk capital rule, which integrated Basel 2.5, and requires banking organizations with significant trading activities to adjust their capital requirements to better account for the market risks of those activities based on a comprehensive and risk sensitive method and models. The market risk capital rule is intended to cover the risk of loss in value of covered positions due to changes in market conditions.

Composition of Material Portfolio of Covered Positions The market risk capital rule substantially modified the determination of market risk risk-weighted assets (RWAs), and implemented a more risk-sensitive methodology for the risks inherent in certain "covered" trading positions. The positions that are "covered" by the market risk capital rule are generally a subset of our trading assets and trading liabilities, specifically those held by the Company for the purpose of short-term resale or with the intent of benefiting from actual or expected short-term price movements, or to lock in arbitrage profits. Positions excluded from market risk regulatory capital treatment are subject to the credit risk capital rules applicable to the "non-covered" trading positions.

The material portfolio of the Company's "covered" positions is predominantly concentrated in the trading assets and trading liabilities managed within Wholesale Banking where the substantial portion of market risk capital is required. Wholesale Banking engages in the fixed income, traded credit, foreign exchange, equities, and commodities markets businesses. Other business segments hold small additional trading positions covered under the market risk capital rule.

Table 48 summarizes the market risk-based capital requirements charge and market RWAs in accordance with the Basel III market risk capital rule as of December 31, 2014, and in accordance with the Basel 2.5 market risk capital rule as of December 31, 2013. The market RWAs are calculated as the sum of the components in the table below.

Table 48: Market Risk Regulatory Capital and RWAs

	December 31, 2014		December 31, 2013	
(in millions)	**Risk-based capital**	**Risk-weighted assets**	Risk-based capital	Risk-weighted assets
Total VaR	**$ 146**	**1,822**	252	3,149
Total Stressed VaR	**1,469**	**18,359**	921	11,512
Incremental Risk Charge	**345**	**4,317**	393	4,913
Securitized Products Charge	**766**	**9,577**	633	7,913
Standard Specific Risk Charge	**1,177**	**14,709**	583	7,289
De minimis Charges (positions not included in models)	**66**	**829**	125	1,563
Total	**$ 3,969**	**49,613**	2,907	36,339

RWA Rollforward Table 49 depicts the changes in the market risk regulatory capital and RWAs under Basel III for the full year and fourth quarter of 2014.

Table 49: Analysis of Changes in Market Risk Regulatory Capital and RWAs

(in millions)	Risk-based capital	Risk-weighted assets
Balance, December 31, 2013	$ 2,907	36,339
Total VaR	(106)	(1,327)
Total Stressed VaR	548	6,847
Incremental Risk Charge	(48)	(596)
Securitized Products Charge	133	1,664
Standardized Specific Risk Charge	594	7,420
De minimis Charges	(59)	(734)
Balance, December 31, 2014	$ 3,969	49,613
Balance, September 30, 2014	$ 4,089	51,117
Total VaR	(97)	(1,215)
Total Stressed VaR	110	1,370
Incremental Risk Charge	(23)	(284)
Securitized Products Charge	18	227
Standardized Specific Risk Charge	(120)	(1,500)
De minimis Charges	(8)	(102)
Balance, December 31, 2014	$ 3,969	49,613

The increase in standardized specific risk charge for risk-based capital and RWAs in 2014 resulted primarily from a change during the quarter ended March 31, 2014, in positions now subject to standardized specific risk charges. All changes to market risk regulatory capital and RWAs in the quarter ended December 31, 2014, were associated with changes in positions due to normal trading activity.

Regulatory Market Risk Capital Components The capital required for market risk on the Company's "covered" positions is determined by internally developed models or standardized specific risk charges. The market risk regulatory capital models are subject to internal model risk management and validation. The models are continuously monitored and enhanced in response to changes in market conditions, improvements in system capabilities, and changes in the Company's market risk exposure. The Company is required to obtain and has received prior written approval from its regulators before using its internally developed models to calculate the market risk capital charge.

Basel III prescribes various VaR measures in the determination of regulatory capital and risk-weighted assets. The Company uses the same VaR models for both market risk management purposes as well as regulatory capital calculations. For regulatory purposes, we use the following metrics to determine the Company's market risk capital requirements:

General VaR measures the risk of broad market movements such as changes in the level of credit spreads, interest rates, equity prices, commodity prices, and foreign exchange rates. General VaR uses historical simulation analysis based on 99% confidence level and a 10-day time horizon.

Table 50 shows the General VaR measure categorized by major risk categories. Average 10-day General VaR was $36 million for the quarter ended December 31, 2014, compared with $29 million for the quarter ended September 30, 2014. The increase was primarily driven by changes in portfolio composition.

Table 50: Regulatory 10-Day 99% General VaR by Risk Category

					Quarter ended			
	December 31, 2014				September 30, 2014			
(in millions)	Period end	Average	Low	High	Period end	Average	Low	High
Wholesale General VaR Risk Categories								
Credit	**$ 34**	**45**	**34**	**52**	47	43	25	74
Interest rate	**66**	**68**	**48**	**96**	73	79	63	103
Equity	**9**	**10**	**4**	**16**	10	7	4	11
Commodity	**3**	**3**	**1**	**7**	3	4	2	9
Foreign exchange	**4**	**3**	**1**	**11**	2	4	1	16
Diversification benefit (1)	**(81)**	**(92)**			(102)	(107)		
Wholesale General VaR	**$ 35**	**37**	**22**	**54**	33	30	20	44
Company General VaR	**35**	**36**	**23**	**54**	33	29	19	42

(1) The period-end VaR was less than the sum of the VaR components described above, which is due to portfolio diversification. The diversification effect arises because the risks are not perfectly correlated causing a portfolio of positions to usually be less risky than the sum of the risks of the positions alone. The diversification benefit is not meaningful for low and high metrics since they may occur on different days.

Specific Risk measures the risk of loss that could result from factors other than broad market movements, or name-specific market risk. Specific Risk uses Monte Carlo simulation analysis based on a 99% confidence level and a 10-day time horizon.

Total VaR (as presented in Table 51) is composed of General VaR and Specific Risk and uses the previous 12 months of historical market data to comply with regulatory requirements.

Total Stressed VaR (as presented in Table 51) uses a historical period of significant financial stress over a continuous 12 month period using historically available market data and is composed of Stressed General VaR and Stressed Specific Risk. Total Stressed VaR uses the same methodology and models as Total VaR.

Incremental Risk Charge according to the market risk capital rule, must capture losses due to both issuer default and migration risk at the 99.9% confidence level over the one-year capital horizon under the assumption of constant level of risk or a constant position assumption. The model covers all non-securitized credit-sensitive products.

The Company calculates Incremental Risk by generating a portfolio loss distribution using Monte Carlo simulation, which assumes numerous scenarios, where an assumption is made that the portfolio's composition remains constant for a one-year time horizon. Individual issuer credit grade migration and issuer default risk is modeled through generation of the issuer's credit rating transition based upon statistical modeling. Correlation between credit grade migration and default is captured by a multifactor proprietary model which takes into account industry classifications as well as regional effects. Additionally, the impact of market and issuer specific concentrations is reflected in the modeling framework by assignment of a higher charge for portfolios that have increasing concentrations in particular issuers or sectors. Lastly, the model captures product basis risk; that is, it reflects the material disparity between a position and its hedge.

Table 51 provides information on the Incremental Risk Charge results for the quarter ended December 31, 2014. For this charge, the required capital at quarter end equals the average for the quarter.

Table 51: Market Risk Regulatory Capital Modeled Components

	Quarter ended December 31, 2014				December 31, 2014	
(in millions)	Average	Low	High	Quarter end	Risk-based capital (1)	Risk-weighted assets (1)
Total VaR	$ 49	39	83	50	146	1,822
Total Stressed VaR	490	440	571	480	1,469	18,359
Incremental Risk Charge	345	310	382	338	345	4,317

(1) Represents the required component amount for market risk based upon the respective VaR and Incremental Risk Charge requirements.

Securitized Products Charge Basel III requires a separate market risk capital charge for positions classified as a securitization or re-securitization. The primary criteria for classification as a securitization are whether there is a transfer of risk and whether the credit risk associated with the underlying exposures has been separated into at least two tranches reflecting different levels of seniority. Covered trading securitizations positions include consumer and commercial asset-backed securities (ABS), commercial mortgage-backed securities (CMBS), residential mortgage-backed securities (RMBS), and collateralized loan and other debt obligations (CLO/CDO) positions. The securitization capital requirements are the greater of the capital requirements of the net long or short exposure, and are capped at the maximum loss that could be incurred on any given transaction. Table 52 shows the aggregate net fair market value of securities and derivative securitization positions by exposure type that meet the regulatory definition of a covered trading securitization position at December 31, 2014 and 2013.

Table 52: Covered Securitization Positions by Exposure Type (Market Value)

(in millions)	ABS	CMBS	RMBS	CLO/CDO
December 31, 2014				
Securitization exposure:				
Securities	**$ 752**	**709**	**689**	**553**
Derivatives	**(1)**	**5**	**23**	**(31)**
Total	**751**	**714**	**712**	**522**
December 31, 2013				
Securitization Exposure:				
Securities	604	559	479	561
Derivatives	(2)	2	16	(72)
Total	$ 602	561	495	489

SECURITIZATION DUE DILIGENCE AND RISK MONITORING The market risk capital rule requires that the Company conduct due diligence on the risk of each position within three days of the purchase of a securitization position. The Company's due diligence on the creditworthiness of each position provides an understanding of the features that would materially affect the performance of a securitization or re-securitization. The due diligence analysis is performed again on a quarterly basis for each securitization and re-securitization position. The Company uses an automated solution to track the due diligence associated with securitization activity. The Company aims to manage the risks associated with securitization and re-securitization positions through the use of offsetting positions and portfolio diversification.

Standardized Specific Risk Charge For debt and equity positions that are not evaluated by the approved internal specific risk models, a regulatory prescribed standard specific risk charge is applied. The standard specific risk add-on for sovereign entities, public sector entities, and depository institutions is based on the Organization for Economic Co-operation and Development (OECD) country risk classifications (CRC) and the remaining contractual maturity of the position. These risk add-ons for debt positions range from 0.25% to 12%. The add-on for corporate debt is based on creditworthiness and the remaining contractual maturity of the position. All other types of debt positions are subject to an 8% add-on. The standard specific risk add-on for equity positions is generally 8%.

Comprehensive Risk Charge / Correlation Trading The market risk capital rule requires capital for correlation trading positions. The Company's remaining correlation trading exposure covered under the market risk capital rule matured in fourth quarter 2014.

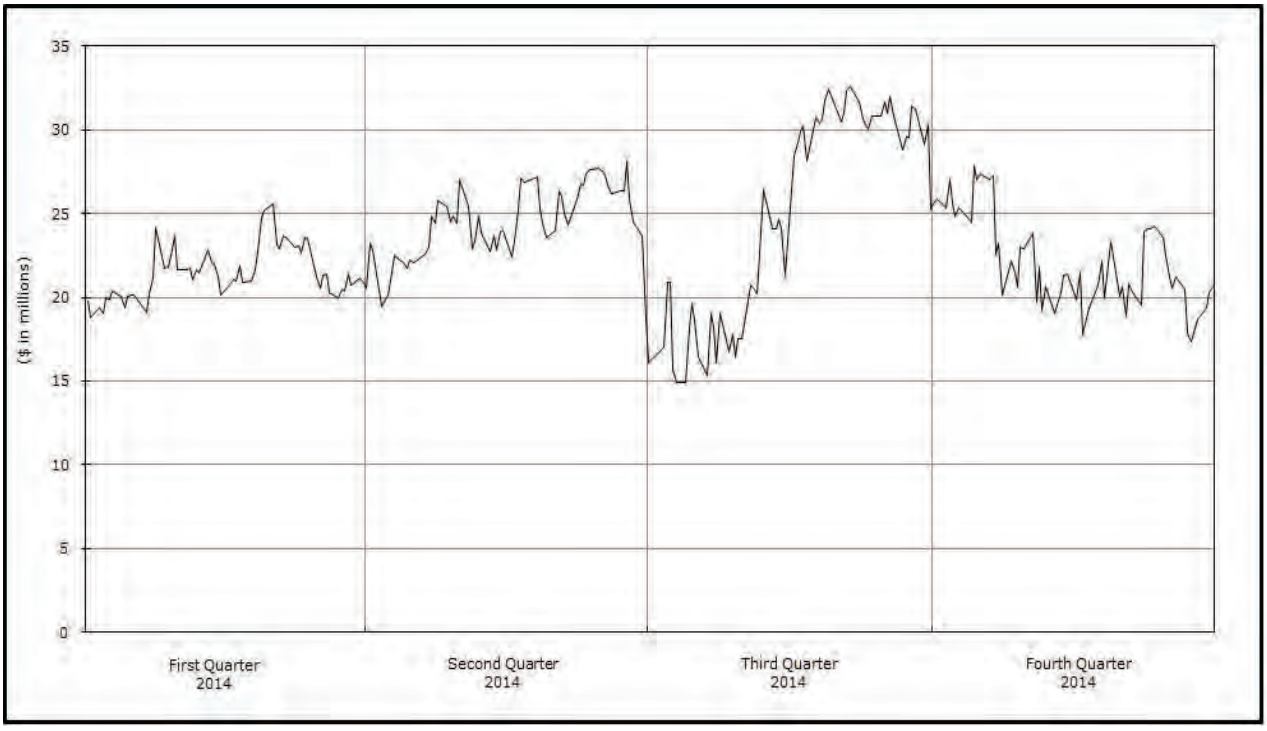
VaR Backtesting The market risk capital rule requires backtesting as one form of validation of the VaR model. Backtesting is a comparison of the daily VaR estimate with the actual clean profit and loss (clean P&L) as defined by the market

risk capital rule. Clean P&L is the change in the value of the Company's covered trading positions that would have occurred had previous end-of-day covered trading positions remained unchanged (therefore, excluding fees, commissions, net interest income, and intraday trading gains and losses). The backtesting analysis compares the daily Total VaR for each of the trading days in the preceding 12 months with the net clean P&L. Clean P&L does not include credit adjustments and other activity not representative of daily price changes driven by market risk factors. The clean P&L measure of revenue is used to evaluate the performance of the Total VaR and is not comparable to our actual daily trading net revenues, as reported elsewhere in this Report.

Any observed clean P&L loss in excess of the Total VaR is considered a market risk regulatory capital backtesting exception. The actual number of exceptions (that is, the number of business days for which the clean P&L losses exceed the corresponding 1-day, 99% Total VaR measure) over the preceding 12 months is used to determine the capital multiplier for the capital calculation. The number of actual backtesting exceptions is dependent on current market performance relative to historic market volatility. This capital multiplier increases from a minimum of three to a maximum of four, depending on the number of exceptions. No backtesting exceptions occurred over the preceding 12 months. Backtesting is also performed at granular levels within the Company with sub-portfolio results provided to federal regulators.

Table 53 shows daily Total VaR (1-day, 99%) for the 12 months ended December 31, 2014. The Company's average Total VaR for fourth quarter 2014 was $22 million with a low of $17 million and a high of $28 million.

Table 53: Daily Total 1-Day 99% VaR Measure (Rolling 12 Months)



Market Risk Governance The Finance Committee of our Board has primary oversight over market risk-taking activities of the Company and reviews the acceptable market risk appetite. The Corporate Risk Group's Market Risk Committee, which reports to the Finance Committee of the Board, is responsible for governance and oversight over market risk-taking activities across the Company as well as the establishment of market risk appetite and associated limits. The Corporate Market Risk Group, which is part of the Corporate Risk Group, administers and monitors compliance with the requirements established by the Market Risk Committee. The Corporate Market Risk Group has oversight responsibilities in identifying, measuring and monitoring the Company's market risk. The group is responsible for developing corporate market risk policy, creating quantitative market risk models, establishing independent risk limits, calculating and analyzing market risk capital, and reporting aggregated and line-of-business market risk information. Limits are regularly reviewed to ensure they remain relevant and within the market risk appetite for the Company. An automated limits-monitoring system enables a daily comprehensive review of multiple limits mandated across businesses. Limits are set with inner boundaries that will be periodically breached to promote an ongoing dialogue of risk exposure within the Company. Each line of business that exposes the Company to market risk has direct responsibility for managing market risk in accordance with defined risk tolerances and approved market risk mandates and hedging strategies. We measure and monitor market risk for both management and regulatory capital purposes.

Model Risk Management The market risk capital models are governed by our Corporate Model Risk Committee (CMoR) policies and procedures, which include model validation. The purpose of model validation includes ensuring the model is appropriate for its intended use and that appropriate controls exist to help mitigate the risk of invalid results. Model validation assesses the adequacy and appropriateness of the model, including reviewing its key components such as inputs, processing components, logic or theory, output results and supporting model documentation. Validation also includes

ensuring significant unobservable model inputs are appropriate given observable market transactions or other market data within the same or similar asset classes. This ensures modeled approaches are appropriate given similar product valuation techniques and are in line with their intended purpose. The Corporate Model Risk Group provides oversight of model validation and assessment processes.

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are subject to additional oversight by a corporate-level risk management department. Corporate oversight responsibilities include evaluating the adequacy of business unit risk management programs, maintaining company-wide model validation policies and standards, and reporting the results of these activities to management.

MARKET RISK - EQUITY INVESTMENTS We are directly and indirectly affected by changes in the equity markets. We make and manage direct equity investments in start-up businesses, emerging growth companies, management buy-outs, acquisitions and corporate recapitalizations. We also invest in non-affiliated funds that make similar private equity investments. These private equity investments are made within capital allocations approved by management and the Board. The Board's policy is to review business developments, key risks and historical returns for the private equity investment portfolio at least annually. Management reviews these investments at least quarterly and assesses them for possible OTTI. For nonmarketable investments, the analysis is based on facts and circumstances of each individual investment and the expectations for that investment's cash flows and capital needs, the viability of its business model and our exit strategy. Nonmarketable investments include private equity investments accounted for under the cost method, equity method and fair value option.

As part of our business to support our customers, we trade public equities, listed/OTC equity derivatives and convertible bonds. We have parameters that govern these activities. We also have marketable equity securities in the available-for-sale securities portfolio, including securities relating to our venture capital activities. We manage these investments within capital risk limits approved by management and the Board and monitored by Corporate ALCO. Gains and losses on these securities are recognized in net income when realized and periodically include OTTI charges.

Changes in equity market prices may also indirectly affect our net income by (1) the value of third party assets under management and, hence, fee income, (2) borrowers whose ability to repay principal and/or interest may be affected by the stock market, or (3) brokerage activity, related commission income and other business activities. Each business line monitors and manages these indirect risks.

Table 54 provides information regarding our marketable and nonmarketable equity investments as of December 31, 2014 and 2013.

Table 54: Nonmarketable and Marketable Equity Investments

(in millions)	Dec 31, 2014	Dec 31, 2013
Nonmarketable equity investments:		
Cost method:		
Private equity and other	$ **2,300**	2,308
Federal bank stock	**4,733**	4,670
Total cost method	**7,033**	6,978
Equity method:		
LIHTC investments (1)	**7,278**	6,209
Private equity and other	**5,132**	5,782
Total equity method	**12,410**	11,991
Fair value (2)	**2,512**	1,386
Total nonmarketable equity investments (3)	$ **21,955**	20,355
Marketable equity securities:		
Cost	$ **1,906**	2,039
Net unrealized gains	**1,770**	1,346
Total marketable equity securities (4)	$ **3,676**	3,385

(1) Represents low income housing tax credit investments.
(2) Represents nonmarketable equity investments for which we have elected the fair value option. See Note 7 (Premises, Equipment, Lease Commitments and Other Assets) and Note 17 (Fair Values of Assets and Liabilities) to Financial Statements in this Report for additional information.
(3) Included in other assets on the balance sheet. See Note 7 (Premises, Equipment, Lease Commitments and Other Assets) to Financial Statements in this Report for additional information.
(4) Included in available-for-sale securities. See Note 5 (Investment Securities) to Financial Statements in this Report for additional information.

LIQUIDITY AND FUNDING The objective of effective liquidity management is to ensure that we can meet customer loan requests, customer deposit maturities/withdrawals and other cash commitments efficiently under both normal operating conditions and under periods of Wells Fargo-specific and/or market stress. To achieve this objective, the Board of Directors establishes liquidity guidelines that require sufficient asset-based liquidity to cover potential funding requirements and to avoid over-dependence on volatile, less reliable funding markets. These guidelines are monitored on a monthly basis by the Corporate ALCO and on a quarterly basis by the Board of Directors. These guidelines are established and monitored for both the consolidated company and for the Parent on a stand-alone basis to ensure that the Parent is a source of strength for its regulated, deposit-taking banking subsidiaries.

We maintain liquidity in the form of cash, cash equivalents and unencumbered high-quality, liquid securities. These assets make up our primary sources of liquidity which are presented in Table 55. Our cash is primarily on deposit with the Federal Reserve. Securities included as part of our primary sources of liquidity are comprised of U.S. Treasury and federal agency debt, and mortgage-backed securities issued by federal agencies within our investment securities portfolio. We believe these securities provide quick sources of liquidity through sales or by pledging to obtain financing, regardless of market conditions. Some of these securities are within the held-to-maturity portion of our investment securities portfolio and as such are not intended for sale but may be pledged to obtain financing. Some of the legal entities within our consolidated group of companies are subject to various regulatory, tax, legal and other restrictions that can limit the transferability of their funds. We believe we maintain adequate liquidity at these entities in consideration of such funds transfer restrictions.

Table 55: Primary Sources of Liquidity

	December 31, 2014			December 31, 2013		
(in millions)	**Total**	**Encumbered**	**Unencumbered**	Total	Encumbered	Unencumbered
Interest-earning deposits	**$ 219,220**	**—**	**219,220**	186,249	—	186,249
Securities of U.S. Treasury and federal agencies (1)	**67,352**	**856**	**66,496**	6,280	571	5,709
Mortgage-backed securities of federal agencies (2)	**115,730**	**80,324**	**35,406**	123,796	60,605	63,191
Total	**$ 402,302**	**81,180**	**321,122**	316,325	61,176	255,149

(1) Included in encumbered securities at December 31, 2014, were securities with a fair value of $152 million which were purchased in December 2014, but settled in January 2015.
(2) Included in encumbered securities at December 31, 2014, were securities with a fair value of $5 million which were purchased in December 2014, but settled in January 2015. Included in encumbered securities at December 31, 2013, were securities with a fair value of $653 million which were purchased in December 2013, but settled in January 2014.

In addition to our primary sources of liquidity shown in Table 55, liquidity is also available through the sale or financing of other securities including trading and/or available-for-sale securities, as well as through the sale, securitization or financing of loans, to the extent such securities and loans are not encumbered. In addition, other securities in our held-to-maturity portfolio, to the extent not encumbered, may be pledged to obtain financing.

Core customer deposits have historically provided a sizeable source of relatively stable and low-cost funds. At December 31, 2014, core deposits were 122% of total loans compared with 119% a year ago. Additional funding is provided by long-term debt, other foreign deposits, and short-term borrowings.

Table 56 shows selected information for short-term borrowings, which generally mature in less than 30 days.

Table 56: Short-Term Borrowings

		Quarter ended			
(in millions)	**Dec 31, 2014**	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014	Dec 31, 2013
Balance, period end					
Federal funds purchased and securities sold under agreements to repurchase	**$ 51,052**	48,164	45,379	39,254	36,263
Commercial paper	**2,456**	4,365	4,261	6,070	5,162
Other short-term borrowings	**10,010**	10,398	12,209	11,737	12,458
Total	**$ 63,518**	62,927	61,849	57,061	53,883
Average daily balance for period					
Federal funds purchased and securities sold under agreements to repurchase	**$ 51,509**	47,088	42,233	37,711	36,232
Commercial paper	**3,511**	4,587	5,221	5,713	4,731
Other short-term borrowings	**9,656**	10,610	11,391	11,078	11,323
Total	**$ 64,676**	62,285	58,845	54,502	52,286
Maximum month-end balance for period					
Federal funds purchased and securities sold under agreements to repurchase (1)	**$ 51,052**	48,164	45,379	39,589	36,263
Commercial paper (2)	**3,740**	4,665	5,175	6,070	5,162
Other short-term borrowings (3)	**10,010**	10,990	12,209	11,737	12,458

(1) Highest month-end balance in each of the last five quarters was in December, September, June and February 2014, and December 2013.
(2) Highest month-end balance in each of the last five quarters was in November, July, April and March 2014, and December 2013.
(3) Highest month-end balance in each of the last five quarters was in December, July, June and March 2014, and December 2013.

We access domestic and international capital markets for long-term funding (generally greater than one year) through issuances of registered debt securities, private placements and asset-backed secured funding. Investors in the long-term capital markets, as well as other market participants, generally will consider, among other factors, a company's debt rating in making investment decisions. Rating agencies base their ratings on many quantitative and qualitative factors, including capital adequacy, liquidity, asset quality, business mix, the level and quality of earnings, and rating agency assumptions regarding the probability and extent of federal financial assistance or support for certain large financial institutions. Adverse changes in these factors could result in a reduction of our credit rating; however, our debt securities do not contain credit rating covenants.

In light of industry changes and regulatory developments related to the Title II Orderly Liquidation Authority of the Dodd-Frank Act, rating agencies have proposed changes to various aspects of their ratings methodologies. Moody's Investors Service has proposed significant revisions to its rating methodology, with a focus on how each type of creditor would be affected in any bank failure. Standard and Poor's Ratings Services (S&P) is continuing its reassessment of whether to incorporate the likelihood of extraordinary government support into the ratings of certain bank holding companies, including the Parent. In addition, S&P has recently issued a proposal to incorporate into its bank-level rating methodology an assessment of additional capital available to absorb losses to reduce default risk. During fourth quarter 2014, our ratings were affirmed by Fitch Ratings and formally reviewed by S&P, with no changes. Both the Parent and Wells Fargo Bank, N.A. remain among the top-rated financial firms in the U.S.

See the "Risk Management – Asset/Liability Management" and "Risk Factors" sections in this Report for additional information regarding our credit ratings as of December 31, 2014, and the potential impact a credit rating downgrade would have on our liquidity and operations, as well as Note 16 (Derivatives) to Financial Statements in this Report for information regarding additional collateral and funding obligations required for certain derivative instruments in the event our credit ratings were to fall below investment grade.

The credit ratings of the Parent and Wells Fargo Bank, N.A. as of December 31, 2014, are presented in Table 57.

Table 57: Credit Ratings as of December 31, 2014

	Wells Fargo & Company		Wells Fargo Bank, N.A.	
	Senior debt	Short-term borrowings	Long-term deposits	Short-term borrowings
Moody's	A2	P-1	Aa3	P-1
S&P	A+	A-1	AA-	A-1+
Fitch, Inc.	AA-	F1+	AA	F1+
DBRS	AA	R-1*	AA**	R-1**

* middle **high

On September 3, 2014, the FRB, OCC and FDIC issued a final rule that implements a quantitative liquidity requirement consistent with the liquidity coverage ratio (LCR) established by the Basel Committee on Banking Supervision (BCBS). The rule requires banking institutions, such as Wells Fargo, to hold high-quality liquid assets, such as central bank reserves and government and corporate debt that can be converted easily and quickly into cash, in an amount equal to or greater than its projected net cash outflows during a 30-day stress period. The final LCR rule will be phased-in beginning January 1, 2015, and requires full compliance with a minimum 100% LCR by January 1, 2017. The FRB also recently finalized rules imposing enhanced liquidity management standards on large bank holding companies (BHC) such as Wells Fargo. We will continue to analyze these recently finalized rules and other regulatory proposals that may affect liquidity risk management to determine the level of operational or compliance impact to Wells Fargo. For additional information see the "Capital Management" and "Regulatory Reform" sections in this Report.

Parent Under SEC rules, our Parent is classified as a "well-known seasoned issuer," which allows it to file a registration statement that does not have a limit on issuance capacity. In May 2014, the Parent filed a registration statement with the SEC for the issuance of senior and subordinated notes, preferred stock and other securities. The Parent's ability to issue debt and other securities under this registration statement is limited by the debt issuance authority granted by the Board. The Parent is currently authorized by the Board to issue $60 billion in outstanding short-term debt and $170 billion in outstanding long-term debt. At December 31, 2014, the Parent had available $42.3 billion in short-term debt issuance authority and $67.8 billion in long-term debt issuance authority. The Parent's debt issuance authority granted by the Board includes short-term and long-term debt issued to affiliates. During 2014, the Parent issued $18.1 billion of senior notes, of which $11.5 billion were registered with the SEC. In addition, during 2014, the Parent issued $4.5 billion of subordinated notes, all of which were registered with the SEC. Additionally, in February 2015, the Parent issued $5.2 billion of registered senior notes.

The Parent's proceeds from securities issued were used for general corporate purposes, and, unless otherwise specified in the applicable prospectus or prospectus supplement, we expect the proceeds from securities issued in the future will be used for the same purposes. Depending on market conditions, we may purchase our outstanding debt securities from time to time in privately negotiated or open market transactions, by tender offer, or otherwise.

Table 58 provides information regarding the Parent's medium-term note (MTN) programs. The Parent may issue senior and subordinated debt securities under Series L & M, Series N & O, and the European and Australian programmes. Under Series K, the Parent may issue senior debt securities linked to one or more indices or bearing interest at a fixed or floating rate.

Table 58: Medium-Term Note (MTN) Programs

(in billions)	Date established		December 31, 2014 Debt issuance authority	December 31, 2014 Available for issuance
MTN program:				
Series L & M (1)	May 2012	$	25.0	0.9
Series N & O (1)(2)	May 2014		—	—
Series K (1)(3)	April 2010		25.0	21.8
European (4)(5)	December 2009		25.0	12.0
European (4)(6)	August 2013		10.0	9.2
Australian (4)(7)	June 2005	AUD	10.0	4.6

(1) SEC registered.
(2) The Parent can issue an indeterminate amount of debt securities, subject to the debt issuance authority granted by the Board described above.
(3) As amended in April 2012.
(4) Not registered with the SEC. May not be offered in the United States without applicable exemptions from registration.
(5) As amended in April 2012, April 2013 and April 2014. For securities to be admitted to listing on the Official List of the United Kingdom Financial Conduct Authority and to trade on the Regulated Market of the London Stock Exchange.
(6) As amended in May 2014, for securities that will not be admitted to listing, trading and/or quotation by any stock exchange or quotation system, or will be admitted to listing, trading and/or quotation by a stock exchange or quotation system that is not considered to be a regulated market.
(7) As amended in October 2005, March 2010 and September 2013.

Wells Fargo Bank, N.A. Wells Fargo Bank, N.A. is authorized by its board of directors to issue $100 billion in outstanding short-term debt and $125 billion in outstanding long-term debt. At December 31, 2014, Wells Fargo Bank, N.A. had available $100 billion in short-term debt issuance authority and $63.5 billion in long-term debt issuance authority. In March 2012, Wells Fargo Bank, N.A. established a $100 billion bank note program under which, subject to any other debt outstanding under the limits described above, it may issue $50 billion in outstanding short-term senior notes and $50 billion in outstanding long-term senior or subordinated notes. During 2014, Wells Fargo Bank, N.A. issued $3.1 billion of senior notes under the bank note program. At December 31, 2014, Wells Fargo Bank, N.A. had remaining issuance capacity under the bank note program of $50 billion in short-term senior notes and $33.5 billion in long-term senior or subordinated notes. In addition, during 2014, Wells Fargo Bank, N.A. executed advances of $15.0 billion with the Federal Home Loan Bank of Des Moines, and as of December 31, 2014, Wells Fargo Bank N.A. had outstanding advances of $34.1 billion across the Federal Home Loan Bank System.

Wells Fargo Canada Corporation In February 2014, Wells Fargo Canada Corporation (WFCC), an indirect wholly owned Canadian subsidiary of the Parent, qualified with the Canadian provincial securities commissions a base shelf prospectus for the distribution from time to time in Canada of up to CAD $7.0 billion in medium-term notes. At December 31, 2014, CAD $7.0 billion still remained available for future issuance under this prospectus. During 2014, WFCC issued CAD $1.3 billion in medium-term notes under a prior base shelf prospectus. All medium-term notes issued by WFCC are unconditionally guaranteed by the Parent.

FEDERAL HOME LOAN BANK MEMBERSHIP The Federal Home Loan Banks (the FHLBs) are a group of cooperatives that lending institutions use to finance housing and economic development in local communities. We are a member of the FHLBs based in Dallas, Des Moines and San Francisco. Each member of the FHLBs is required to maintain a minimum investment in capital stock of the applicable FHLB. The board of directors of each FHLB can increase the minimum investment requirements in the event it has concluded that additional capital is required to allow it to meet its own regulatory capital requirements. Any increase in the minimum investment requirements outside of specified ranges requires the approval of the Federal Housing Finance Board. Because the extent of any obligation to increase our investment in any of the FHLBs depends entirely upon the occurrence of a future event, potential future payments to the FHLBs are not determinable.

We have an active program for managing capital through a comprehensive process for assessing the Company's overall capital adequacy. Our objective is to maintain capital at an amount commensurate with our risk profile and risk tolerance objectives, and to meet both regulatory and market expectations. Our potential sources of capital primarily include retention of earnings net of dividends, as well as issuances of common and preferred stock. Retained earnings increased $14.7 billion from December 31, 2013, predominantly from Wells Fargo net income of $23.1 billion, less common and preferred stock dividends of $8.4 billion. During 2014, we issued 96.3 million shares of common stock. In April 2014, we issued 2 million Depositary Shares, each representing 1/25th interest in a share of the Company's newly issued 5.9% Fixed-to-Floating Rate Non-Cumulative Perpetual Class A Preferred Stock, Series S, for an aggregate public offering price of $2.0 billion. In July 2014, we issued 32 million Depositary Shares, each representing 1/1000th interest in a share of the Company's newly issued Non-Cumulative Perpetual Class A Preferred Stock, Series T, for an aggregate public offering price of $800 million. In addition, in January 2015, we issued 2 million Depositary Shares, each representing 1/25th interest in a share of the Company's newly issued 5.875% Fixed-to-Floating Rate Non-Cumulative Perpetual Class A Preferred Stock, Series U, for an aggregate public offering price of $2.0 billion. During 2014, we repurchased 183.1 million shares of common stock in open market transactions, private transactions and from employee benefit plans, at a cost of $9.2 billion. We also entered into a $750 million forward repurchase contract with an unrelated third party in October 2014 that settled in January 2015 for 14.3 million shares. In addition, we entered into another $750 million forward repurchase contract with an unrelated third party in January 2015 that is expected to settle in second quarter 2015 for approximately 14.3 million shares. For additional information about our forward repurchase agreements, see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report.

Regulatory Capital Guidelines

The Company and each of our insured depository institutions are subject to various regulatory capital adequacy requirements administered by the FRB and the OCC. Risk-based capital (RBC) guidelines establish a risk-adjusted ratio relating capital to different categories of assets and off-balance sheet exposures. At December 31, 2014, the Company and each of our insured depository institutions were "well-capitalized" under applicable regulatory capital adequacy guidelines. See Note 26 (Regulatory and Agency Capital Requirements) to Financial Statements in this Report for additional information.

The RBC guidelines, which have their roots in the 1988 capital accord of the Basel Committee on Banking Supervision (BCBS) establishing international guidelines for determining regulatory capital, reflect broad credit risk considerations and market-related risks, but do not take into account other types of risk facing a financial services company. Our capital adequacy assessment process contemplates a wide range of risks that the Company is exposed to and also takes into consideration our performance under a variety of stressed economic conditions, as well as regulatory expectations and guidance, rating agency viewpoints and the view of capital markets participants.

The market risk capital rule, effective January 1, 2013, is reflected in the Company's calculation of RWAs to address the market risks of significant trading activities. In December 2013, the FRB approved a final rule, effective April 1, 2014, revising the market risk capital rule to, among other things, conform to the FRB's new capital framework finalized in July 2013 and discussed below. For additional information see the "Risk Management - Asset/Liability Management" section in this Report.

In 2007, federal banking regulators approved a final rule adopting revised international guidelines for determining regulatory capital known as "Basel II." Basel II incorporates three pillars that address (a) capital adequacy, (b) supervisory review, which relates to the computation of capital and internal assessment processes, and (c) market discipline, through increased disclosure requirements. We entered the "parallel run phase" of Basel II in July 2012. During the "parallel run phase," banking organizations must successfully complete an evaluation period under supervision from regulatory agencies in order to receive approval to calculate risk-based capital requirements under the Advanced Approach guidelines. The parallel run phase will continue until we receive regulatory approval to exit parallel reporting and subsequently begin publicly reporting our Advanced Approach regulatory capital results and related disclosures.

In December 2010, the BCBS finalized a set of further revised international guidelines for determining regulatory capital known as "Basel III." These guidelines were developed in response to the 2008 financial crisis and were intended to address many of the weaknesses identified in the previous Basel standards, as well as in the banking sector that contributed to the crisis including excessive leverage, inadequate and low quality capital and insufficient liquidity buffers.

In July 2013, federal banking regulators approved final and interim final rules to implement the BCBS Basel III capital guidelines for U.S. banking organizations. These final capital rules, among other things:

- implement in the United States the Basel III regulatory capital reforms including those that revise the definition of capital, increase minimum capital ratios, and introduce a minimum Common Equity Tier 1 (CET1) ratio of 4.5% and a capital conservation buffer of 2.5% (for a total minimum CET1 ratio of 7.0%) and a potential countercyclical buffer of up to 2.5%, which would be imposed by regulators at their discretion if it is determined that a period of excessive credit growth is contributing to an increase in systemic risk;
- require a Tier 1 capital to average total consolidated assets ratio of 4% and introduce, for large and internationally active bank holding companies (BHCs), a Tier 1 supplementary leverage ratio of 3% that incorporates off-balance sheet exposures;
- revise Basel I rules for calculating RWA to enhance risk sensitivity under a standardized approach;
- modify the existing Basel II advanced approaches rules for calculating RWA to implement Basel III;
- deduct certain assets from CET1, such as deferred tax assets that could not be realized through net operating loss carry-backs, significant investments in non-consolidated financial entities, and MSRs, to the extent any one category exceeds 10% of CET1 or all such items, in the aggregate, exceed 15% of CET1;
- eliminate the accumulated other comprehensive income or loss filter that applies under RBC rules over a five-year phase-in period beginning in 2014; and

- comply with the Dodd-Frank Act provision prohibiting the reliance on external credit ratings.

We were required to comply with the final Basel III capital rules beginning January 2014, with certain provisions subject to phase-in periods. The Basel III capital rules are scheduled to be fully phased in by January 1, 2022. Based on the final capital rules, we estimate that our CET1 ratio under the final Basel III capital rules using the Advanced Approach (fully phased-in) exceeded the minimum of 7.0% by 343 basis points at December 31, 2014.

Consistent with the Collins Amendment to the Dodd-Frank Act, banking organizations that have completed their parallel run process and have been approved by the FRB to use the Advanced Approach methodology to determine applicable minimum risk-weighted capital ratios and additional buffers, must use the higher of their RWA as calculated under (i) the Advanced Approach rules, and (ii) from January 1, 2014, to December 31, 2014, the general approach under Basel III capital rules and, commencing on January 1, 2015, and thereafter, the risk weightings under the standardized approach.

In April 2014, federal banking regulators finalized a rule that enhances the supplementary leverage ratio requirements for large BHCs, like Wells Fargo, and their insured depository institutions. The rule, which becomes effective on January 1, 2018, will require a covered BHC to maintain a supplementary leverage ratio of at least 5% to avoid restrictions on capital distributions and discretionary bonus payments. The rule will also require that all of our insured depository institutions maintain a supplementary leverage ratio of 6% in order to be considered well capitalized. Based on our review, our current leverage levels would exceed the applicable requirements for the holding company and each of our insured depository institutions. Federal banking regulators, however, recently finalized additional changes to the supplementary leverage ratio requirements to implement revisions to the Basel III leverage framework finalized by the BCBS in January 2014. These additional changes, among other things, modify the methodology for including off-balance sheet items, including credit derivatives, repo-style transactions and lines of credit, in the denominator of the supplementary leverage ratio, and will become effective on January 1, 2018. In addition, as discussed in the "Risk Management - Asset/Liability Management - Liquidity and Funding" section in this Report, a final rule regarding the U.S. implementation of the Basel III LCR was issued by the FRB, OCC and FDIC in September 2014.

The FRB has also indicated that it is in the process of considering new rules to address the amount of equity and unsecured debt a company must hold to facilitate its orderly liquidation, often referred to as Total Loss Absorbing Capacity (TLAC). In November 2014, the Financial Stability Board (FSB) issued for public consultation policy proposals on TLAC. Under the FSB's TLAC proposal, global systemically important banks (G-SIBs) would be required to hold loss absorbing equity and unsecured debt of 16-20% of RWAs, with at least 33% of this total being unsecured debt rather than equity. The FRB will likely propose related rules sometime after the FSB's public consultation on the TLAC proposal ends.

In addition, in December 2014, the FRB proposed rules to implement an additional CET1 capital surcharge on those U.S. banking organizations, such as the Company, that have been designated by the FSB as G-SIBs. The G-SIB surcharge would be in addition to the minimum Basel III 7.0% CET1 requirement. Under the FRB proposal, a G-SIB would calculate its surcharge under two methods and use the higher of the two surcharges. The first method would consider the G-SIB's size, interconnectedness, cross-jurisdictional activity, substitutability, and complexity, consistent with a methodology developed by the BCBS and FSB. The second would use similar inputs, but would replace substitutability with use of short-term wholesale funding and would generally result in higher surcharges than the BCBS methodology. Under the FRB proposal, estimated surcharges for G-SIBs would range from 1.0 to 4.5 percent of a firm's RWAs. The G-SIB surcharge would be phased in beginning on January 1, 2016 and become fully effective on January 1, 2019. The FSB, in an updated listing published in November 2014 based on year-end 2013 data, identified the Company as one of the 30 G-SIBs.

Capital Planning and Stress Testing

Under the FRB's capital plan rule, large BHCs are required to submit capital plans annually for review to determine if the FRB has any objections before making any capital distributions. The rule requires updates to capital plans in the event of material changes in a BHC's risk profile, including as a result of any significant acquisitions. The FRB assesses the overall financial condition, risk profile, and capital adequacy of BHCs while considering both quantitative and qualitative factors when evaluating capital plans.

On March 26, 2014, the FRB notified us that it did not object to our 2014 capital plan included in the 2014 CCAR. Since the FRB notification, the Company took several capital actions during 2014, including increasing its quarterly common stock dividend rate to $0.35 per share and repurchasing shares of our common stock.

Our 2015 CCAR, which was submitted on January 2, 2015, included a comprehensive capital plan supported by an assessment of expected uses and sources of capital over a given planning horizon under a range of expected and stress scenarios, similar to the process the FRB used to conduct the CCAR in 2014. As part of the 2015 CCAR, the FRB also generated a supervisory stress test, which assumed a sharp decline in the economy and significant decline in asset pricing using the information provided by the Company to estimate performance. The FRB is expected to review the supervisory stress results both as required under the Dodd-Frank Act using a common set of capital actions for all large BHCs and by taking into account the Company's proposed capital actions. The FRB has indicated that it will publish its supervisory stress test results as required under the Dodd-Frank Act, and the related CCAR results taking into account the Company's proposed capital actions, in March 2015.

In addition to CCAR, federal banking regulators also require stress tests to evaluate whether an institution has sufficient capital to continue to operate during periods of adverse economic and financial conditions. These stress testing requirements set forth the timing and type of stress test activities large BHCs and banks must undertake as well as rules governing stress testing controls, oversight and disclosure requirements. The FRB recently finalized rules amending the existing capital plan and stress testing rules to modify the start date of capital plan and stress testing cycles and to limit a large BHC's ability to make capital distributions to the extent its actual capital issuances were less than amounts indicated in its capital plan. As required under the FRB's stress testing rule, we completed a mid-cycle stress test based on March 31, 2014, data and scenarios developed by the Company. We submitted the results of the mid-cycle stress test to the FRB in July 2014 and disclosed a summary of the results in September 2014.

Securities Repurchases

From time to time the Board authorizes the Company to repurchase shares of our common stock. Although we announce when the Board authorizes share repurchases, we typically do not give any public notice before we repurchase our shares. Future stock repurchases may be private or open-market repurchases, including block transactions, accelerated or delayed block transactions, forward transactions, and similar transactions. Additionally, we may enter into plans to purchase stock that satisfy the conditions of Rule 10b5-1 of the Securities Exchange Act of 1934. Various factors determine the amount and timing of our share repurchases, including our capital requirements, the number of shares we expect to issue for employee benefit plans and acquisitions, market conditions (including the trading price of our stock), and regulatory and legal considerations, including the FRB's response to our capital plan and to changes in our risk profile.

In October 2012, the Board authorized the repurchase of 200 million shares, which was completed by July 2014. The Board authorized the repurchase of an additional 350 million shares in March 2014. At December 31, 2014, we had remaining authority to repurchase approximately 240 million shares, subject to regulatory and legal conditions. For more information about share repurchases during fourth quarter 2014, see Part II, Item 5 in our 2014 Form 10-K.

Historically, our policy has been to repurchase shares under the "safe harbor" conditions of Rule 10b-18 of the Securities Exchange Act of 1934 including a limitation on the daily volume of repurchases. Rule 10b-18 imposes an additional daily volume limitation on share repurchases during a pending merger or acquisition in which shares of our stock will constitute some or all of the consideration. Our management may determine that during a pending stock merger or acquisition when the safe harbor would otherwise be available, it is in our best interest to repurchase shares in excess of this additional daily volume limitation. In such cases, we intend to repurchase shares in compliance with the other conditions of the safe harbor, including the standing daily volume limitation that applies whether or not there is a pending stock merger or acquisition.

In connection with our participation in the Capital Purchase Program (CPP), a part of the Troubled Asset Relief Program (TARP), we issued to the U.S. Treasury Department warrants to purchase 110,261,688 shares of our common stock with an original exercise price of $34.01 per share expiring on October 28, 2018. The terms of the warrants require the exercise price to be adjusted under certain circumstances when the Company's quarterly common stock dividend exceeds $0.34 per share, which began occurring in second quarter 2014. Accordingly, with each quarterly common stock dividend above $0.34 per share, we must calculate whether an adjustment to the exercise price is required by the terms of the warrants, including whether certain minimum thresholds have been met to trigger an adjustment, and notify the holders of any such change. The Board authorized the repurchase by the Company of up to $1 billion of the warrants. At December 31, 2014, there were 38,424,434 warrants outstanding, exercisable at $33.996 per share, and $452 million of unused warrant repurchase authority. Depending on market conditions, we may purchase from time to time additional warrants in privately negotiated or open market transactions, by tender offer or otherwise.

Risk-Based Capital and Risk-Weighted Assets

Table 59 and Table 60 provide information regarding the composition of and change in our risk-based capital, respectively, under Basel I and Basel III (General Approach).

Table 59: Risk-Based Capital Components

(in billions)		Under Basel III (General Approach) (1) Dec 31, 2014	Under Basel I Dec 31, 2013
Total equity		**$ 185.3**	171.0
Noncontrolling interests		**(0.9)**	(0.9)
Total Wells Fargo stockholders' equity		**184.4**	170.1
Adjustments:			
Preferred stock		**(18.0)**	(15.2)
Cumulative other comprehensive income (2)		**(2.6)**	(1.4)
Goodwill and other intangible assets (2)(3)		**(26.3)**	(29.6)
Investment in certain subsidiaries and other		**(0.4)**	(0.4)
Common Equity Tier 1 (1)(4)	(A)	**137.1**	123.5
Preferred stock		**18.0**	15.2
Qualifying hybrid securities and noncontrolling interests		**—**	2.0
Other		**(0.4)**	—
Total Tier 1 capital		**154.7**	140.7
Long-term debt and other instruments qualifying as Tier 2		**25.0**	20.5
Qualifying allowance for credit losses		**13.2**	14.3
Other		**—**	0.7
Total Tier 2 capital		**38.2**	35.5
Total qualifying capital	(B)	**$ 192.9**	176.2
Basel III Risk-weighted assets (RWAs) (5):			
Credit risk		**$ 1,192.9**	
Market risk		**49.6**	
Basel I RWAs (5):			
Credit risk			1,105.2
Market risk			36.3
Total Basel III / Basel I RWAs	(C)	**$ 1,242.5**	1,141.5
Capital Ratios:			
Common Equity Tier I to total RWAs	(A)/(C)	**11.04%**	10.82
Total capital to total RWAs	(B)/(C)	**15.53**	15.43

(1) Basel III revises the definition of capital, increases minimum capital ratios, and introduces a minimum Common Equity Tier 1 (CET1) ratio. These changes are being fully phased in effective January 1, 2014, through the end of 2021 and the capital ratios will be determined using Basel III (General Approach) RWAs during 2014. See Table 62 in this section for a summary of changes in RWAs from December 31, 2013, to December 31, 2014.

(2) Under transition provisions to Basel III, cumulative other comprehensive income (previously deducted under Basel I) is included in CET1 over a specified phase-in period. In addition, certain intangible assets includable in CET1 are phased out over a specified period.

(3) Goodwill and other intangible assets are net of any associated deferred tax liabilities.

(4) CET1 (formerly Tier 1 common equity under Basel I) is a non-GAAP financial measure that is used by investors, analysts and bank regulatory agencies to assess the capital position of financial services companies. Management reviews CET1 along with other measures of capital as part of its financial analyses and has included this non-GAAP financial information, and the corresponding reconciliation to total equity, because of current interest in such information on the part of market participants.

(5) Under the regulatory guidelines for risk-based capital, on-balance sheet assets and credit equivalent amounts of derivatives and off-balance sheet items are assigned to one of several broad risk categories according to the obligor, or, if relevant, the guarantor or the nature of any collateral. The aggregate dollar amount in each risk category is then multiplied by the risk weight associated with that category. The resulting weighted values from each of the risk categories are aggregated for determining total RWAs.

Table 60: Analysis of Changes in Capital Under Basel III (General Approach)

(in billions)			
Common Equity Tier 1 at December 31, 2013		$	123.5
Net income			21.8
Common stock dividends			(7.1)
Common stock issued, repurchased, and stock compensation-related items			(5.4)
Goodwill and other intangible assets (net of any associated deferred tax liabilities)			3.3
Other			1.0
Change in Common Equity Tier 1			13.6
Common Equity Tier 1 at December 31, 2014		$	137.1
Tier 1 capital at December 31, 2013		$	140.7
Change in Common Equity Tier 1			13.6
Issuance of noncumulative perpetual preferred			2.8
Other			(2.4)
Change in Tier 1 capital			14.0
Tier 1 capital at December 31, 2014	(A)	$	154.7
Tier 2 capital at December 31, 2013		$	35.5
Change in long-term debt and other instruments qualifying as Tier 2			4.5
Change in qualifying allowance for credit losses			(1.1)
Other			(0.7)
Change in Tier 2 capital			2.7
Tier 2 capital at December 31, 2014	(B)		38.2
Total qualifying capital	(A) + (B)	$	192.9

Table 61 presents information on the components of RWAs included within our regulatory capital ratios. RWAs prior to 2014 were determined under Basel I, and RWAs in 2014 reflect the transition to Basel III (General Approach).

Table 61: RWAs

	Under Basel III (General Approach) (1)	Under Basel I
	Dec 31,	Dec 31,
(in millions)	**2014**	2013
On-balance sheet RWAs		
Investment securities	**$ 85,501**	93,445
Securities financing transactions (1)	**12,369**	10,385
Loans (2)	**726,008**	680,953
Market risk (3)	**49,613**	36,339
Other	**112,619**	91,788
Total on-balance sheet RWAs	**986,110**	912,910
Off-balance sheet RWAs		
Commitments and guarantees (4)	**218,884**	199,197
Derivatives	**10,314**	10,545
Other	**27,237**	18,862
Total off-balance sheet RWAs	**256,435**	228,604
Total RWAs	**$ 1,242,545**	1,141,514

(1) Represents federal funds sold and securities purchased under resale agreements.
(2) Represents loans held for sale and loans held for investment.
(3) Represents regulatory 'covered' positions within trading assets and liabilities.
(4) Primarily includes financial standby letters of credit and other unused commitments.

Table 62 presents changes in RWAs for 2014. Effective January 1, 2014, we commenced transitioning RWAs from Basel I to Basel III (General Approach) under final rules adopted by federal banking regulators in July 2013.

Table 62: Analysis of Changes in RWAs

(in millions)		
Basel I RWAs at December 31, 2013	$	1,141,514
Net change in on-balance sheet RWAs:		
Investment securities		(7,944)
Securities financing transactions		1,984
Loans		45,055
Market risk		13,274
Other		20,831
Total change in on-balance sheet RWAs		73,200
Net change in off-balance sheet RWAs:		
Commitments and guarantees		19,687
Derivatives		(231)
Other		8,375
Total change in off-balance sheet RWAs		27,831
Total change in RWAs		101,031
Basel III (General Approach) RWAs at December 31, 2014	$	1,242,545

The increase in total RWAs from December 31, 2013, was primarily due to increased lending activity.

Table 63 provides information regarding our CET1 calculation as estimated under Basel III using the Advanced Approach, fully phased-in method.

Table 63: Common Equity Tier 1 Under Basel III (Advanced Approach, Fully Phased-In) (1)(2)

(in billions)			December 31, 2014
Common Equity Tier 1 (transition amount) under Basel III		$	137.1
Adjustments from transition amount to fully phased-in Basel III (3):			
Cumulative other comprehensive income			2.4
Other			(2.8)
Total adjustments			(0.4)
Common Equity Tier 1 (fully phased-in) under Basel III	(C)	$	136.7
Total RWAs anticipated under Basel III (4)	(D)	$	1,310.5
Common Equity Tier 1 to total RWAs anticipated under Basel III (Advanced Approach, fully phased-in)	(C)/(D)		10.43%

(1) CET1 is a non-GAAP financial measure that is used by investors, analysts and bank regulatory agencies to assess the capital position of financial services companies. Management reviews CET1 along with other measures of capital as part of its financial analyses and has included this non-GAAP financial information, and the corresponding reconciliation to total equity, because of current interest in such information on the part of market participants.

(2) The Basel III CET1 and RWAs are estimated based on the Basel III capital rules adopted July 2, 2013, by the FRB. The rules establish a new comprehensive capital framework for U.S. banking organizations that implement the Basel III capital framework and certain provisions of the Dodd-Frank Act. The rules are being fully phased in effective January 1, 2014, through the end of 2021.

(3) Assumes cumulative other comprehensive income is fully phased in and certain other intangible assets are fully phased out under Basel III capital rules.

(4) The final Basel III capital rules provide for two capital frameworks: the Standardized Approach intended to replace Basel I, and the Advanced Approach applicable to certain institutions. Under the final rules, we will be subject to the lower of our CET1 ratio calculated under the Standardized Approach and under the Advanced Approach in the assessment of our capital adequacy. While the amount of RWAs determined under the Standardized and Advanced Approaches has been converging, the amount of RWAs as of December 31, 2014, was based on the Advanced Approach, which was higher than RWAs under the Standardized Approach, and thus resulted in a lower CET1 ratio compared with the Standardized Approach. Basel III capital rules adopted by the Federal Reserve Board incorporate different classification of assets, with risk weights based on Wells Fargo's internal models, along with adjustments to address a combination of credit/counterparty, operational and market risks, and other Basel III elements.

Since the enactment of the Dodd-Frank Act in 2010, the U.S. financial services industry has been subject to a significant increase in regulation and regulatory oversight initiatives. This increased regulation and oversight has substantially changed how most U.S. financial services companies conduct business and has increased their regulatory compliance costs. The following highlights the more significant regulations and regulatory oversight initiatives that have affected or may affect our business. For additional information about the regulatory reform matters discussed below and other regulations and regulatory oversight matters, see Part I, Item 1 "Regulation and Supervision" of our 2014 Form 10-K, and the "Capital Management," "Forward-Looking Statements" and "Risk Factors" sections and Note 26 (Regulatory and Agency Capital Requirements) to Financial Statements in this Report.

Dodd-Frank Act

The Dodd-Frank Act is the most significant financial reform legislation since the 1930s and is driving much of the current U.S. regulatory reform efforts. The Dodd-Frank Act and many of its provisions became effective in July 2010 and July 2011. However, a number of its provisions still require final rulemaking or additional guidance and interpretation by regulatory authorities or will be implemented over time. Accordingly, in many respects the ultimate impact of the Dodd-Frank Act and its effects on the U.S. financial system and the Company remain uncertain. The following provides additional information on the Dodd-Frank Act, including the current status of certain of its rulemaking initiatives.

- *Enhanced supervision and regulation of systemically important firms*. The Dodd-Frank Act grants broad authority to federal banking regulators to establish enhanced supervisory and regulatory requirements for systemically important firms. The FRB has finalized a number of regulations implementing enhanced prudential requirements for large bank holding companies (BHCs) like Wells Fargo regarding risk-based capital and leverage, risk and liquidity management, and imposing debt-to-equity limits on any BHC that regulators determine poses a grave threat to the financial stability of the United States. The FRB and OCC have also finalized rules implementing stress testing requirements for large BHCs and national banks. The FRB has also proposed, but not yet finalized, additional enhanced prudential standards that would implement single counterparty credit limits and establish remediation requirements for large BHCs experiencing financial distress. In addition to the authorization of enhanced supervisory and regulatory requirements for systemically important firms, the Dodd-Frank Act also established the Financial Stability Oversight Council and the Office of Financial Research, which may recommend new systemic risk management requirements and require new reporting of systemic risks. The OCC, under separate authority, has also recently finalized guidelines establishing heightened governance and risk management standards for large national banks such as Wells Fargo Bank, N.A. The OCC guidelines require covered banks to establish and adhere to a written risk governance framework in order to manage and control their risk-taking activities. The guidelines also formalize roles and responsibilities for risk management practices within covered banks and create certain risk oversight responsibilities for their boards of directors.
- *The Collins Amendment*. This provision of the Dodd-Frank Act phases out the benefit of issuing trust preferred securities by eliminating them from Tier 1 capital over a three year period that began on January 1, 2013.
- *Regulation of consumer financial products*. The Dodd-Frank Act established the Consumer Financial Protection Bureau (CFPB) to ensure consumers receive clear and accurate disclosures regarding financial products and to protect them from hidden fees and unfair or abusive practices. With respect to residential mortgage lending, the CFPB issued a number of final rules in 2013 implementing new origination, notification and other requirements that generally became effective in January 2014. In November 2013, the CFPB also finalized rules integrating disclosures required of lenders and settlement agents under the Truth in Lending Act (TILA) and the Real Estate Settlement Procedures Act (RESPA) effective August 1, 2015. These rules combine existing separate disclosure forms under the TILA and RESPA into new integrated forms and provide additional limitations on the fees and charges that may be increased from the estimates provided by lenders. With respect to non-residential mortgage lending, in November 2014, the CFPB issued a proposed rule to expand consumer protections for prepaid products such as prepaid cards. The proposal would make prepaid cards subject to similar consumer protections as more traditional debit and credit cards such as fraud protection and expanded access to account information.

  In addition to these rulemaking activities, the CFPB is continuing its on-going supervisory examination activities of the financial services industry with respect to a number of consumer businesses and products, including mortgage lending and servicing, fair lending requirements, student lending activities, and auto finance. At this time, the Company cannot predict the full impact of the CFPB's rulemaking and supervisory authority on our business practices or financial results.
- *Volcker Rule*. The Volcker Rule, with limited exceptions, prohibits banking entities from engaging in proprietary trading or owning any interest in or sponsoring or having certain relationships with a hedge fund, a private equity fund or certain structured transactions that are deemed covered funds. On December 10, 2013, federal banking regulators, the SEC and CFTC (collectively, the Volcker supervisory regulators) jointly released a final rule to implement the Volcker Rule's restrictions. Banking entities are not required to come into compliance with the Volcker Rule's restrictions until July 21, 2015. Banking entities with $50 billion or more in trading assets and liabilities such as Wells Fargo, however, are required to report to the Volcker supervisory regulators certain trading metrics beginning June 30, 2014. Wells Fargo has begun submitting such metrics to the Volcker supervisory regulators. During the conformance period, banking entities are expected to engage in good-faith planning efforts, appropriate for their activities and investments, to enable them to conform all of their activities and investments to the Volcker Rule's restrictions by no later than July 21, 2015. Limited further extensions of the compliance period may be granted at the discretion of the FRB. The FRB has extended the rule's

compliance date to give banking entities until July 21, 2016, to conform their ownership interests in and sponsorships of covered funds that were in place prior to December 31, 2013, and the FRB has announced that it intends to provide an additional one-year extension to this date in the future. As a banking entity with more than $50 billion in consolidated assets, we will also be subject to enhanced compliance program requirements. At this time, we do not anticipate a material impact to our financial results from the rule as prohibited proprietary trading and covered fund investment activities are not significant to our financial results. Moreover, we already have reduced or exited certain businesses in anticipation of the rule's compliance date and expect to have to make limited divestments in non-conforming funds as a result of the rule.

- *Regulation of swaps and other derivatives activities*. The Dodd-Frank Act established a comprehensive framework for regulating over-the-counter derivatives and authorized the CFTC and the SEC to regulate swaps and security-based swaps, respectively. The CFTC and SEC jointly adopted new rules and interpretations that established the compliance dates for many of their rules implementing the new regulatory framework, including provisional registration of our national bank subsidiary, Wells Fargo Bank, N.A., as a swap dealer, which occurred at the end of 2012. In addition, the CFTC has adopted final rules that, among other things, require extensive regulatory and public reporting of swaps, require certain swaps to be centrally cleared and traded on exchanges or other multilateral platforms, and require swap dealers to comply with comprehensive internal and external business conduct standards. Also included in this regulatory framework are so-called push-out provisions affecting U.S. banks acting as dealers in commodity swaps, equity swaps and certain credit default swaps, which require that these activities be conducted through an affiliate. These push-out provisions have since been amended to apply only to structured finance swaps. Margin rules for swaps not centrally cleared have been proposed, and in September 2014 were re-proposed. If adopted as re-proposed, the margin and capital requirements for swaps not centrally cleared may significantly increase the cost of hedging in the over-the-counter market. All of these new rules, as well as others being considered by regulators in other jurisdictions, may negatively impact customer demand for over-the-counter derivatives and may increase our costs for engaging in swaps and other derivatives activities.
- *Changes to asset-backed securities (ABS) markets*. The Dodd-Frank Act requires sponsors of ABS to hold at least a 5% ownership stake in the ABS. Exemptions from the requirement include qualified residential mortgages (QRMs) and FHA/VA loans. In October 2014, federal regulatory agencies issued final rules to implement this credit risk retention requirement, which included an exemption for the GSE's mortgage-backed securities. The final rules also aligned the definition of QRMs, which are exempt from the risk retention requirements, with the Consumer Financial Protection Bureau's definition of "qualified mortgage." In addition, the final rules addressed the measures for complying with the risk retention requirement and continued to provide limited exemptions for qualifying commercial loans, qualifying commercial real estate loans, and qualifying automobile loans that meet certain requirements. We continue to evaluate the final rules and assess their impact on our ability to issue certain asset-backed securities or otherwise participate in various securitization transactions.
- *Enhanced regulation of money market mutual funds*. On July 23, 2014, the SEC adopted a rule governing money market mutual funds that, among other things, requires significant structural changes to these funds, including requiring institutional prime money market funds to maintain a variable net asset value and providing for the imposition of liquidity fees and redemption gates for all non-governmental money market funds during periods in which they experience liquidity impairments of a certain magnitude. The SEC has provided a period of two years following the effective date of the rule for funds to comply with these structural changes.
- *Regulation of interchange transaction fees (the Durbin Amendment)*. On October 1, 2011, the FRB rule enacted to implement the Durbin Amendment to the Dodd-Frank Act that limits debit card interchange transaction fees to those reasonable and proportional to the cost of the transaction became effective. The rule generally established that the maximum allowable interchange fee that an issuer may receive or charge for an electronic debit transaction is the sum of 21 cents per transaction and 5 basis points multiplied by the value of the transaction. On July 31, 2013, the U.S. District Court for the District of Columbia ruled that the approach used by the FRB in setting the maximum allowable interchange transaction fee impermissibly included costs that were specifically excluded from consideration under the Durbin Amendment. In August 2013, the FRB filed a notice of appeal of the decision to the United States Court of Appeals for the District of Columbia. In March 2014, the Court of Appeals reversed the District Court's decision, but did direct the FRB to provide further explanation regarding its treatment of the costs of monitoring transactions. The plaintiffs did not file a petition for rehearing with the Court of Appeals but filed a petition for writ of certiorari with the U.S. Supreme Court. In January 2015, the U.S. Supreme Court denied the petition for writ of certiorari.

Regulatory Capital Guidelines and Capital Plans

During 2013, federal banking regulators issued final rules that substantially amended the risk-based capital rules for banking organizations. The rules implement the Basel III regulatory capital reforms in the U.S., comply with changes required by the Dodd-Frank Act, and replace the existing Basel I-based capital requirements. We were required to begin complying with the rules on January 1, 2014, subject to phase-in periods that are scheduled to be fully phased in by January 1, 2022. In 2014, federal banking regulators also finalized rules to impose a supplementary leverage ratio on large BHCs like Wells Fargo and our insured depository institutions and to implement the Basel III liquidity coverage ratio. For more information on the final capital, leverage and liquidity rules, and additional capital requirements under consideration by federal banking regulators, see the "Capital Management" section in this Report.

"Living Will" Requirements and Related Matters

Rules adopted by the FRB and the FDIC under the Dodd-Frank Act require large financial institutions, including Wells Fargo, to prepare and periodically revise resolution plans, so-called "living-wills", that would facilitate their resolution in the event of material distress or failure. Under the rules, resolution plans are required to provide strategies for resolution under the Bankruptcy Code and other applicable insolvency regimes that

can be accomplished in a reasonable period of time and in a manner that mitigates the risk that failure would have serious adverse effects on the financial stability of the United States. Wells Fargo submitted its second annual resolution plan under these rules on June 26, 2014. On November 25, 2014, the FRB and FDIC announced that our 2014 resolution plan submission provided a basis for a resolution strategy that could facilitate an orderly resolution under bankruptcy; however, they identified specific shortcomings in the 2014 resolution plan that would need to be addressed in the 2015 resolution plan. If the FRB and FDIC determine that our resolution plan is deficient, the Dodd-Frank Act authorizes the FRB and FDIC to impose more stringent capital, leverage or liquidity requirements on us or restrict our growth or activities until we submit a plan remedying the deficiencies. If the FRB and FDIC ultimately determine that we have been unable to remedy the deficiencies, they could order us to divest assets or operations in order to facilitate our orderly resolution in the event of our material distress or failure. Our national bank subsidiary, Wells Fargo Bank, N.A., is also required to prepare a resolution plan for the FDIC under separate regulatory authority and submitted its second annual resolution plan on June 26, 2014.

The Dodd-Frank Act also establishes an orderly liquidation process which allows for the appointment of the FDIC as a receiver of a systemically important financial institution that is in default or in danger of default. The FDIC has issued rules to implement its orderly liquidation authority and released a notice and request for comment regarding a proposed resolution strategy, known as "single point of entry," designed to resolve a large financial institution in a manner that holds management responsible for its failure, maintains market stability, and imposes losses on shareholders and creditors in accordance with statutory priorities, without imposing a cost on U.S. taxpayers. Implementation of the strategy would require that institutions maintain a sufficient amount of available equity and unsecured debt to absorb losses and recapitalize operating subsidiaries. The FDIC has not issued any final statements on the single point of entry resolution strategy.

Critical Accounting Policies

Our significant accounting policies (see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report) are fundamental to understanding our results of operations and financial condition because they require that we use estimates and assumptions that may affect the value of our assets or liabilities and financial results. Five of these policies are critical because they require management to make difficult, subjective and complex judgments about matters that are inherently uncertain and because it is likely that materially different amounts would be reported under different conditions or using different assumptions. These policies govern:

- the allowance for credit losses;
- PCI loans;
- the valuation of residential MSRs;
- the fair valuation of financial instruments; and
- income taxes.

Management and the Board's Audit and Examination committee have reviewed and approved these critical accounting policies.

Allowance for Credit Losses

We maintain an allowance for credit losses, which consists of the allowance for loan losses and the allowance for unfunded credit commitments, which is management's estimate of credit losses inherent in the loan portfolio, including unfunded credit commitments, at the balance sheet date, excluding loans carried at fair value. For a description of our related accounting policies, see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report.

Changes in the allowance for credit losses and, therefore, in the related provision for credit losses can materially affect net income. In applying the review and judgment required to determine the allowance for credit losses, management considers changes in economic conditions, customer behavior, and collateral value, among other influences. From time to time, economic factors or business decisions, such as the addition or liquidation of a loan product or business unit, may affect the loan portfolio, causing management to provide or release amounts from the allowance for credit losses. While our methodology attributes portions of the allowance to specific portfolio segments (commercial and consumer), the entire allowance for credit losses is available to absorb credit losses inherent in the total loan portfolio and unfunded credit commitments.

Judgment is specifically applied in:

- *Credit risk ratings applied to individual commercial loans and unfunded credit commitments.* We estimate the probability of default in accordance with the borrower's financial strength using a borrower quality rating and the severity of loss in the event of default using a collateral quality rating. Collectively, these ratings are referred to as credit risk ratings and are assigned to our commercial loans. Probability of default and severity at the time of default are statistically derived through historical observations of defaults and losses after default within each credit risk rating. Commercial loan risk ratings are evaluated based on each situation by experienced senior credit officers and are subject to periodic review by an internal team of credit specialists.
- *Economic assumptions applied to pools of consumer loans (statistically modeled).* Losses are estimated using economic variables to represent our best estimate of inherent loss. Our forecasted losses are modeled using a range of economic scenarios.
- *Selection of a credit loss estimation model that fits the credit risk characteristics of its portfolio.* We use both internally developed and vendor supplied models in this process. We often use expected loss, roll rate, net flow, vintage maturation, behavior score, and time series or statistical trend models, most with economic correlations. Management must use judgment in establishing additional input metrics for the modeling processes, considering further stratification into reference data time series, sub-product, origination channel, vintage, loss type, geographic location and other predictive characteristics. The models used to determine the allowance are validated by an internal model validation group operating in accordance with Company policies.
- *Assessment of limitations to credit loss estimation models.* We apply our judgment to adjust or supplement our modeled estimates to reflect other risks that may be

identified from current conditions and developments in selected portfolios.

- *Identification and measurement of impaired loans, including loans modified in a TDR.* Our experienced senior credit officers may consider a loan impaired based on their evaluation of current information and events, including loans modified in a TDR. The measurement of impairment is typically based on an analysis of the present value of expected future cash flows. The development of these expectations requires significant management review and judgment.
- *An amount for imprecision or uncertainty which reflects management's overall estimate of the effect of quantitative and qualitative factors on inherent credit losses.* This amount represents management's judgment of risks inherent in the processes and assumptions used in establishing the allowance. This imprecision considers economic environmental factors, modeling assumptions and performance, process risk, and other subjective factors, including industry trends and emerging risk assessments.

SENSITIVITY TO CHANGES Table 64 demonstrates the impact of the sensitivity of our estimates on our allowance for credit losses.

Table 64: Allowance Sensitivity Summary

	December 31, 2014
	Estimated increase / (decrease)
(in billions)	in allowance
Assumption:	
Favorable (1)	$ (2.5)
Adverse (2)	7.8

(1) Represents a one risk rating upgrade throughout our commercial portfolio segment and a more optimistic economic outlook for modeled losses on our consumer portfolio segment.
(2) Represents a one risk rating downgrade throughout our commercial portfolio segment, a more pessimistic economic outlook for modeled losses on our consumer portfolio segment, and incremental deterioration for PCI loans.

The sensitivity analyses provided in the previous table are hypothetical scenarios and are not considered probable. They do not represent management's view of inherent losses in the portfolio as of the balance sheet date. Because significant judgment is used, it is possible that others performing similar analyses could reach different conclusions. See the "Risk Management - Credit Risk Management - Allowance for Credit Losses" section and Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report for further discussion of our allowance for credit losses.

Purchased Credit-Impaired (PCI) Loans

Loans acquired with evidence of credit deterioration since their origination and where it is probable that we will not collect all contractually required principal and interest payments are PCI loans. Substantially all of our PCI loans were acquired in the Wachovia acquisition on December 31, 2008. For a description of our related accounting policies, see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report.

We apply judgment for PCI loans in:

- identifying loans that meet the PCI criteria at acquisition based on our evaluation of credit quality deterioration using indicators such as past due and nonaccrual status, commercial risk ratings, recent borrower credit scores and recent loan-to-value percentages.
- determining initial fair value at acquisition, which is based on an estimate of cash flows, both principal and interest, expected to be collected, discounted at the prevailing market rate of interest. We estimate the cash flows expected to be collected at acquisition using our internal credit risk, interest rate risk and prepayment risk models, which incorporate our best estimate of current key assumptions, such as property values, default rates, loss severity and prepayment speeds. Our estimation includes the timing and amount of cash flows expected to be collected.
- regularly evaluating our estimates of cash flows expected to be collected, subsequent to acquisition. These evaluations, performed quarterly, require the continued usage of key assumptions and estimates, similar to our initial estimate of fair value. We must apply judgment to develop our estimates of cash flows for PCI loans given the impact of changes in value of underlying collateral such as home price and property value changes, changing loss severities, modification activity, and prepayment speeds.

The amount of cash flows expected to be collected and, accordingly, the appropriateness of the allowance for loan loss due to certain decreases in cash flows expected to be collected, is particularly sensitive to changes in loan credit quality. The sensitivity of the overall allowance for credit losses, including PCI loans, is presented in the preceding section, "Critical Accounting Policies - Allowance for Credit Losses."

See the "Risk Management - Credit Risk Management - Purchased Credit Impaired Loans" section and Note 6 (Loans and Allowance for Credit Losses - Purchased Credit Impaired Loans") to Financial Statements in this Report for further discussion of PCI loans.

Valuation of Residential Mortgage Servicing Rights (MSRs)

MSRs are assets that represent the rights to service mortgage loans for others. We recognize MSRs when we purchase servicing rights from third parties, or retain servicing rights in connection with the sale or securitization of loans we originate (asset transfers). We also have MSRs acquired in the past under co-issuer agreements that provide for us to service loans that were originated and securitized by third-party correspondents.

We carry our MSRs related to residential mortgage loans at fair value. Periodic changes in our residential MSRs and the economic hedges used to hedge our residential MSRs are reflected in earnings.

We use a model to estimate the fair value of our residential MSRs. The model is validated by an internal model validation group operating in accordance with Company policies. The model calculates the present value of estimated future net servicing income and incorporates inputs and assumptions that market participants use in estimating fair value. Certain significant inputs and assumptions are not observable in the market and require judgment to determine:

- *The mortgage loan prepayment speed used to estimate future net servicing income.* The prepayment speed is the annual rate at which borrowers are forecasted to repay their mortgage loan principal. Prepayment speeds are influenced by changes in mortgage interest rates and borrower behavior, including estimates for borrower default.
- *The discount rate used to present value estimated future net servicing income.* The discount rate is the required rate of return investors in the market would expect for an asset

with similar risk. To determine the discount rate, we consider the risk premium for uncertainties from servicing operations (e.g., possible changes in future servicing costs, ancillary income and earnings on escrow accounts).

- *The expected cost to service loans used to estimate future net servicing income.* The cost to service loans includes estimates for unreimbursed expenses, such as delinquency and foreclosure costs, which considers the number of defaulted loans as well as changes in servicing processes associated with default and foreclosure management.

Both prepayment speed and discount rate assumptions can, and generally will, change quarterly as market conditions and mortgage interest rates change. For example, an increase in either the prepayment speed or discount rate assumption results in a decrease in the fair value of the MSRs, while a decrease in either assumption would result in an increase in the fair value of the MSRs. In recent years, there have been significant market-driven fluctuations in loan prepayment speeds and the discount rate. These fluctuations can be rapid and may be significant in the future. Additionally, while our current valuation reflects our best estimate of servicing costs, future regulatory changes in servicing standards, as well as changes in individual state foreclosure legislation, may have an impact on our servicing cost assumption and our MSR valuation in future periods.

For a description of our valuation and sensitivity of MSRs, see Note 1 (Summary of Significant Accounting Policies), Note 8 (Securitizations and Variable Interest Entities), Note 9 (Mortgage Banking Activities) and Note 17 (Fair Values of Assets and Liabilities) to Financial Statements in this Report.

Fair Value of Financial Instruments

Fair value represents the price that would be received to sell the financial asset or paid to transfer the financial liability in an orderly transaction between market participants at the measurement date.

We use fair value measurements to record fair value adjustments to certain financial instruments and to determine fair value disclosures. For example, trading assets, securities available for sale, derivatives and substantially all of our residential MHFS are carried at fair value each period. Other financial instruments, such as certain MHFS and loans held for investment, are not carried at fair value each period but may require nonrecurring fair value adjustments due to application of lower-of-cost-or-market accounting or write-downs of individual assets. We also disclose our estimate of fair value for financial instruments not recorded at fair value, such as loans held for investment or issuances of long-term debt.

The accounting provisions for fair value measurements include a three-level hierarchy for disclosure of assets and liabilities recorded at fair value. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources, while unobservable inputs reflect our estimates about market data. For additional information on fair value levels, see Note 17 (Fair Values of Assets and Liabilities) to Financial Statements in this Report.

When developing fair value measurements, we maximize the use of observable inputs and minimize the use of unobservable inputs. When available, we use quoted prices in active markets to measure fair value. If quoted prices in active markets are not available, fair value measurement is based upon models that use primarily market-based or independently sourced market parameters, including interest rate yield curves, prepayment speeds, option volatilities and currency rates. However, in certain cases, when market observable inputs for model-based valuation techniques are not readily available, we are required to make judgments about assumptions market participants would use to estimate fair value. Additionally, we use third party pricing services to obtain fair values, which are used to either record the price of an instrument or to corroborate internally developed prices. For additional information on our use of pricing services, see Note 1 (Summary of Significant Accounting Policies) and Note 17 (Fair Value of Assets and Liabilities) to Financial Statements in this Report.

The degree of management judgment involved in determining the fair value of a financial instrument is dependent upon the availability of quoted prices in active markets or observable market parameters. For financial instruments with quoted market prices or observable market parameters in active markets, there is minimal subjectivity involved in measuring fair value. When quoted prices and observable data in active markets are not fully available, management judgment is necessary to estimate fair value. Changes in the market conditions, such as reduced liquidity in the capital markets or changes in secondary market activities, may reduce the availability and reliability of quoted prices or observable data used to determine fair value. When significant adjustments are required to price quotes or inputs, it may be appropriate to utilize an estimate based primarily on unobservable inputs. When an active market for a financial instrument does not exist, the use of management estimates that incorporate current market participant expectations of future cash flows, adjusted for an appropriate risk premium, is acceptable.

Significant judgment is also required to determine whether certain assets measured at fair value are classified as Level 2 or Level 3. When making this judgment, we consider available information, including observable market data, indications of market liquidity and orderliness, and our understanding of the valuation techniques and significant inputs used. For securities in inactive markets, we use a predetermined percentage to evaluate the impact of fair value adjustments derived from weighting both external and internal indications of value to determine if the instrument is classified as Level 2 or Level 3. Otherwise, the classification of Level 2 or Level 3 is based upon the specific facts and circumstances of each instrument or instrument category and judgments are made regarding the significance of the Level 3 inputs to the instruments' fair value measurement in its entirety. If Level 3 inputs are considered significant, the instrument is classified as Level 3.

Table 65 presents the summary of the fair value of financial instruments recorded at fair value on a recurring basis, and the amounts measured using significant Level 3 inputs (before derivative netting adjustments). The fair value of the remaining assets and liabilities were measured using valuation methodologies involving market-based or market-derived information (collectively Level 1 and 2 measurements).

Table 65: Fair Value Level 3 Summary

($ in billions)	December 31, 2014 Total balance	December 31, 2014 Level 3 (1)	December 31, 2013 Total balance	December 31, 2013 Level 3 (1)
Assets carried at fair value	**$ 378.1**	**32.3**	353.1	37.2
As a percentage of total assets	**22 %**	**2**	23	2
Liabilities carried at fair value	**$ 34.9**	**2.3**	22.7	3.7
As a percentage of total liabilities	**2 %**	*****	2	*

* Less than 1%.
(1) Before derivative netting adjustments.

See Note 17 (Fair Values of Assets and Liabilities) to Financial Statements in this Report for a complete discussion on our fair value of financial instruments, our related measurement techniques and the impact to our financial statements.

Income Taxes

We are subject to the income tax laws of the U.S., its states and municipalities and those of the foreign jurisdictions in which we operate. Our income tax expense consists of current and deferred income tax expense. Current income tax expense represents our estimated taxes to be paid or refunded for the current period and includes income tax expense related to our uncertain tax positions. We determine deferred income taxes using the balance sheet method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and recognizes enacted changes in tax rates and laws in the period in which they occur. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are recognized subject to management's judgment that realization is "more likely than not." Uncertain tax positions that meet the more likely than not recognition threshold are measured to determine the amount of benefit to recognize. An uncertain tax position is measured at the largest amount of benefit that management believes has a greater than 50% likelihood of realization upon settlement. Tax benefits not meeting our realization criteria represent unrecognized tax benefits. Our unrecognized tax benefits on uncertain tax positions are reflected in Note 21 (Income Taxes) to Financial Statements in this Report. Foreign taxes paid are generally applied as credits to reduce federal income taxes payable. We account for interest and penalties as a component of income tax expense.

The income tax laws of the jurisdictions in which we operate are complex and subject to different interpretations by the taxpayer and the relevant government taxing authorities. In establishing a provision for income tax expense, we must make judgments and interpretations about the application of these inherently complex tax laws. We must also make estimates about when in the future certain items will affect taxable income in the various tax jurisdictions by the government taxing authorities, both domestic and foreign. Our interpretations may be subjected to review during examination by taxing authorities and disputes may arise over the respective tax positions. We attempt to resolve these disputes during the tax examination and audit process and ultimately through the court systems when applicable.

We monitor relevant tax authorities and revise our estimate of accrued income taxes due to changes in income tax laws and their interpretation by the courts and regulatory authorities on a quarterly basis. Revisions of our estimate of accrued income taxes also may result from our own income tax planning and from the resolution of income tax controversies. Such revisions in our estimates may be material to our operating results for any given quarter.

See Note 21 (Income Taxes) to Financial Statements in this Report for a further description of our provision for income taxes and related income tax assets and liabilities.

Current Accounting Developments

The following table provides accounting pronouncements applicable to us that have been issued by the FASB but are not yet effective.

Standard	Description	Effective date and financial statement impact
Accounting Standards Update (ASU or Update) 2015-02 - Consolidation (Topic 810): *Amendments to the Consolidation Analysis*	The Update primarily amends the criteria companies use to evaluate whether they should consolidate certain variable interest entities that have fee arrangements and the criteria used to determine whether partnerships and similar entities are variable interest entities . The Update also excludes registered 2a-7 money market funds (including unregistered funds that operate in a similar manner) from the consolidation guidance.	The changes are effective for us in first quarter 2016 with early adoption permitted. We are evaluating the impact the Update will have on our consolidated financial statements.
ASU 2015-01 - *Income Statement - Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items*	The Update removes the concept of extraordinary items from GAAP and eliminates the requirement for extraordinary items to be separately presented in the statement of income.	The Update is effective for us in first quarter 2016 with prospective or retrospective application. Early adoption is permitted. The Update will not have a material impact on our consolidated financial statements.
ASU 2014-16 - *Derivatives and Hedging (Topic 815): Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share is More Akin to Debt or Equity*	The Update clarifies that the nature of host contracts in hybrid financial instruments that are issued in share form should be determined based on the entire instrument, including the embedded derivative.	The Update is effective for us in first quarter 2016 with retrospective application. The Update will not have a material impact on our consolidated financial statements.
ASU 2014-13 - *Consolidation (Topic 810): Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity*	The Update provides a measurement alternative to companies that consolidate collateralized financing entities (CFEs), such as collateralized debt obligation and collateralized loan obligation structures. Under the new guidance, companies can measure both the financial assets and financial liabilities of a CFE using the more observable fair value of the financial assets or of the financial liabilities.	These changes are effective for us in first quarter 2016 with early adoption permitted at the beginning of an annual period. The guidance can be applied either retrospectively or by a modified retrospective approach. The Update will not have a material impact on our consolidated financial statements.
ASU 2014-12 - *Compensation - Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved After the Requisite Service Period*	The Update provides accounting guidance for employee share-based payment awards with specific performance targets. The Update clarifies that performance targets should be treated as performance conditions if the targets affect vesting and could be achieved after the requisite service period.	The Update is effective for us in first quarter 2016 with early adoption permitted and can be applied prospectively or retrospectively. This Update will not have a material impact on our consolidated financial statements.
ASU 2014-11 - *Transfers and Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures*	The Update requires repurchase-to-maturity transactions to be accounted for as secured borrowings versus sales. The guidance also requires separate accounting for transfers of financial assets that are executed contemporaneously with repurchase agreements. The Update also includes new disclosures for transfers accounted for as sales and for repurchase agreements and similar arrangements, such as classes of collateral pledged for gross obligations and the remaining contractual maturity of repurchase agreements.	The accounting changes are effective for us in first quarter 2015 with early adoption prohibited. The disclosures are required in first quarter 2015 for transfers accounted for as sales with the remaining disclosures required in second quarter 2015. This Update will not have a material impact on our consolidated financial statements.

Standard	Description	Effective date and financial statement impact
ASU 2014-09 - *Revenue from Contracts With Customers* (Topic 606)	The Update modifies the guidance companies use to recognize revenue from contracts with customers for transfers of goods or services and transfers of nonfinancial assets, unless those contracts are within the scope of other standards. The guidance also requires new qualitative and quantitative disclosures, including information about contract balances and performance obligations.	The Update is effective for us in first quarter 2017 with retrospective application. Early adoption is not permitted. We are evaluating the impact this Update will have on our consolidated financial statements.
ASU 2014-08 - *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*	The Update changes the definition and reporting requirements for discontinued operations. Under the new guidance, an entity's disposal of a component or group of components must be reported in discontinued operations if the disposal is a strategic shift that has or will have a significant effect on the entity's operations and financial results.	These changes are effective for us in first quarter 2015 with prospective application. Early adoption is permitted for disposals that have not been previously reported. This Update will not have a material impact on our consolidated financial statements.
ASU 2014-01 - *Investments - Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Qualified Affordable Housing Projects*	The Update amends the accounting guidance for investments in affordable housing projects that qualify for the low-income housing tax credit. The Update allows companies to make an accounting policy election to amortize the cost of its investments in proportion to the tax benefits received if certain criteria are met and present the amortization as a component of income tax expense. Additionally, the Update requires incremental disclosures for all entities that invest in qualified affordable housing projects regardless of the policy election.	The new disclosure requirements are effective for us in first quarter 2015. We do not intend to adopt the accounting policy election permitted by the Update, and therefore, it will not affect our consolidated financial statements.

Forward-Looking Statements

This document contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. In addition, we may make forward-looking statements in our other documents filed or furnished with the SEC, and our management may make forward-looking statements orally to analysts, investors, representatives of the media and others. Forward-looking statements can be identified by words such as "anticipates," "intends," "plans," "seeks," "believes," "estimates," "expects," "target," "projects," "outlook," "forecast," "will," "may," "could," "should," "can" and similar references to future periods. In particular, forward-looking statements include, but are not limited to, statements we make about: (i) the future operating or financial performance of the Company, including our outlook for future growth; (ii) our noninterest expense and efficiency ratio; (iii) future credit quality and performance, including our expectations regarding future loan losses and allowance releases; (iv) the appropriateness of the allowance for credit losses; (v) our expectations regarding net interest income and net interest margin; (vi) loan growth or the reduction or mitigation of risk in our loan portfolios; (vii) future capital levels and our estimated Common Equity Tier 1 ratio under Basel III capital standards; (viii) the performance of our mortgage business and any related exposures; (ix) the expected outcome and impact of legal, regulatory and legislative developments, as well as our expectations regarding compliance therewith; (x) future common stock dividends, common share repurchases and other uses of capital; (xi) our targeted range for return on assets and return on equity; (xii) the outcome of contingencies, such as legal proceedings; and (xiii) the Company's plans, objectives and strategies.

Forward-looking statements are not based on historical facts but instead represent our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results may differ materially from those contemplated by the forward-looking statements. We caution you, therefore, against relying on any of these forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. While there is no assurance that any list of risks and uncertainties or risk factors is complete, important factors that could cause actual results to differ materially from those in the forward-looking statements include the following, without limitation:

- current and future economic and market conditions, including the effects of declines in housing prices, high unemployment rates, U.S. fiscal debt, budget and tax matters, geopolitical matters, and the overall slowdown in global economic growth;
- our capital and liquidity requirements (including under regulatory capital standards, such as the Basel III capital

standards) and our ability to generate capital internally or raise capital on favorable terms;
- financial services reform and other current, pending or future legislation or regulation that could have a negative effect on our revenue and businesses, including the Dodd-Frank Act and other legislation and regulation relating to bank products and services;
- the extent of our success in our loan modification efforts, as well as the effects of regulatory requirements or guidance regarding loan modifications;
- the amount of mortgage loan repurchase demands that we receive and our ability to satisfy any such demands without having to repurchase loans related thereto or otherwise indemnify or reimburse third parties, and the credit quality of or losses on such repurchased mortgage loans;
- negative effects relating to our mortgage servicing and foreclosure practices, including our obligations under the settlement with the Department of Justice and other federal and state government entities, as well as changes in industry standards or practices, regulatory or judicial requirements, penalties or fines, increased servicing and other costs or obligations, including loan modification requirements, or delays or moratoriums on foreclosures;
- our ability to realize our efficiency ratio target as part of our expense management initiatives, including as a result of business and economic cyclicality, seasonality, changes in our business composition and operating environment, growth in our businesses and/or acquisitions, and unexpected expenses relating to, among other things, litigation and regulatory matters;
- the effect of the current low interest rate environment or changes in interest rates on our net interest income, net interest margin and our mortgage originations, mortgage servicing rights and mortgages held for sale;
- a recurrence of significant turbulence or disruption in the capital or financial markets, which could result in, among other things, reduced investor demand for mortgage loans, a reduction in the availability of funding or increased funding costs, and declines in asset values and/or recognition of other-than-temporary impairment on securities held in our investment securities portfolio;
- the effect of a fall in stock market prices on our investment banking business and our fee income from our brokerage, asset and wealth management businesses;
- reputational damage from negative publicity, protests, fines, penalties and other negative consequences from regulatory violations and legal actions;
- a failure in or breach of our operational or security systems or infrastructure, or those of our third party vendors or other service providers, including as a result of cyber attacks;
- the effect of changes in the level of checking or savings account deposits on our funding costs and net interest margin;
- fiscal and monetary policies of the Federal Reserve Board; and
- the other risk factors and uncertainties described under "Risk Factors" in this Report.

In addition to the above factors, we also caution that the amount and timing of any future common stock dividends or repurchases will depend on the earnings, cash requirements and financial condition of the Company, market conditions, capital requirements (including under Basel capital standards), common stock issuance requirements, applicable law and regulations (including federal securities laws and federal banking regulations), and other factors deemed relevant by the Company's Board of Directors, and may be subject to regulatory approval or conditions.

For more information about factors that could cause actual results to differ materially from our expectations, refer to our reports filed with the Securities and Exchange Commission, including the discussion under "Risk Factors" in this Report, as filed with the Securities and Exchange Commission and available on its website at www.sec.gov.

Any forward-looking statement made by us speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.

Risk Factors

An investment in the Company involves risk, including the possibility that the value of the investment could fall substantially and that dividends or other distributions on the investment could be reduced or eliminated. We discuss below risk factors that could adversely affect our financial results and condition, and the value of, and return on, an investment in the Company.

RISKS RELATED TO THE ECONOMY, FINANCIAL MARKETS, INTEREST RATES AND LIQUIDITY

As one of the largest lenders in the U.S. and a provider of financial products and services to consumers and businesses across the U.S. and internationally, our financial results have been, and will continue to be, materially affected by general economic conditions, particularly unemployment levels and home prices in the U.S., and a deterioration in economic conditions or in the financial markets may materially adversely affect our lending and other businesses and our financial results and condition. We generate revenue from the interest and fees we charge on the loans and other products and services we sell, and a substantial amount of our revenue and earnings comes from the net interest income and fee income that we earn from our consumer and commercial lending and banking businesses, including our mortgage banking business where we currently are the largest mortgage originator in the U.S. These businesses have been, and will continue to be, materially affected by the state of the U.S. economy, particularly unemployment levels and home prices. Although the U.S. economy has continued to gradually improve from the depressed levels of 2008 and early 2009, economic growth has been slow and uneven. In addition, the negative effects and continued uncertainty stemming from U.S. fiscal and political matters,

including concerns about deficit levels, taxes and U.S. debt ratings, have impacted and may continue to impact the continuing global economic recovery. Moreover, geopolitical matters, including international political unrest or disturbances, as well as continued concerns over energy prices and global economic difficulties, may impact the stability of financial markets and the global economy. A prolonged period of slow growth in the global economy, particularly in the U.S., or any deterioration in general economic conditions and/or the financial markets resulting from the above matters or any other events or factors that may disrupt or dampen the global economic recovery, could materially adversely affect our financial results and condition.

The improvement in the U.S. economy as well as higher home prices contributed to our strengthened credit performance and allowed us to release amounts from our allowance for credit losses, however there is no guarantee we will have allowance releases in the future. If unemployment levels worsen or if home prices fall we would expect to incur elevated charge-offs and provision expense from increases in our allowance for credit losses. These conditions may adversely affect not only consumer loan performance but also commercial and CRE loans, especially for those business borrowers that rely on the health of industries that may experience deteriorating economic conditions. The ability of these and other borrowers to repay their loans may deteriorate, causing us, as one of the largest commercial lenders and the largest CRE lender in the U.S., to incur significantly higher credit losses. In addition, weak or deteriorating economic conditions make it more challenging for us to increase our consumer and commercial loan portfolios by making loans to creditworthy borrowers at attractive yields. Although we have significant capacity to add loans to our balance sheet, weak economic conditions, as well as competition and/or increases in interest rates, could soften demand for our loans resulting in our retaining a much higher amount of lower yielding liquid assets on our balance sheet. If economic conditions do not continue to improve or if the economy worsens and unemployment rises, which also would likely result in a decrease in consumer and business confidence and spending, the demand for our credit products, including our mortgages, may fall, reducing our interest and noninterest income and our earnings.

A deterioration in business and economic conditions, which may erode consumer and investor confidence levels, and/or increased volatility of financial markets, also could adversely affect financial results for our fee-based businesses, including our investment advisory, mutual fund, securities brokerage, wealth management, and investment banking businesses. In 2014, approximately 26% of our revenue was fee income, which included trust and investment fees, card fees and other fees. We earn fee income from managing assets for others and providing brokerage and other investment advisory and wealth management services. Because investment management fees are often based on the value of assets under management, a fall in the market prices of those assets could reduce our fee income. Changes in stock market prices could affect the trading activity of investors, reducing commissions and other fees we earn from our brokerage business. The U.S. stock market experienced all-time highs in 2014 and there is no guarantee that those price levels will continue. Poor economic conditions and volatile or unstable financial markets also can negatively affect our debt and equity underwriting and advisory businesses, as well as our trading and venture capital businesses. Any deterioration in global financial markets and economies, including as a result of any international political unrest or disturbances, may adversely affect the revenues and earnings of our international operations, particularly our global financial institution and correspondent banking services.

For more information, refer to the "Risk Management – Asset/Liability Management" and "– Credit Risk Management" sections in this Report.

Changes in interest rates and financial market values could reduce our net interest income and earnings, including as a result of recognizing losses or OTTI on the securities that we hold in our portfolio or trade for our customers. Our net interest income is the interest we earn on loans, debt securities and other assets we hold less the interest we pay on our deposits, long-term and short-term debt, and other liabilities. Net interest income is a measure of both our net interest margin – the difference between the yield we earn on our assets and the interest rate we pay for deposits and our other sources of funding – and the amount of earning assets we hold. Changes in either our net interest margin or the amount or mix of earning assets we hold could affect our net interest income and our earnings. Changes in interest rates can affect our net interest margin. Although the yield we earn on our assets and our funding costs tend to move in the same direction in response to changes in interest rates, one can rise or fall faster than the other, causing our net interest margin to expand or contract. Our liabilities tend to be shorter in duration than our assets, so they may adjust faster in response to changes in interest rates. When interest rates rise, our funding costs may rise faster than the yield we earn on our assets, causing our net interest margin to contract until the asset yield increases.

The amount and type of earning assets we hold can affect our yield and net interest margin. We hold earning assets in the form of loans and investment securities, among other assets. As noted above, if the economy worsens we may see lower demand for loans by creditworthy customers, reducing our net interest income and yield. In addition, our net interest income and net interest margin can be negatively affected by a prolonged low interest rate environment, which as noted below is currently being experienced as a result of economic conditions and FRB monetary policies, as it may result in us holding short-term lower yielding loans and securities on our balance sheet, particularly if we are unable to replace the maturing higher yielding assets, including the loans in our non-strategic and liquidating loan portfolio, with similar higher yielding assets. Increases in interest rates, however, may negatively affect loan demand and could result in higher credit losses as borrowers may have more difficulty making higher interest payments. As described below, changes in interest rates also affect our mortgage business, including the value of our MSRs.

Changes in the slope of the "yield curve" – or the spread between short-term and long-term interest rates – could also reduce our net interest margin. Normally, the yield curve is upward sloping, meaning short-term rates are lower than long-term rates. Because our liabilities tend to be shorter in duration than our assets, when the yield curve flattens, as is the case in the current interest rate environment, or even inverts, our net interest margin could decrease as our cost of funds increases relative to the yield we can earn on our assets.

The interest we earn on our loans may be tied to U.S.-denominated interest rates such as the federal funds rate while the interest we pay on our debt may be based on international rates such as LIBOR. If the federal funds rate were to fall without a corresponding decrease in LIBOR, we might earn less on our loans without any offsetting decrease in our funding costs. This could lower our net interest margin and our net interest income.

We assess our interest rate risk by estimating the effect on our earnings under various scenarios that differ based on assumptions about the direction, magnitude and speed of interest rate changes and the slope of the yield curve. We hedge some of that interest rate risk with interest rate derivatives. We also rely on the "natural hedge" that our mortgage loan originations and servicing rights can provide.

We generally do not hedge all of our interest rate risk. There is always the risk that changes in interest rates could reduce our net interest income and our earnings in material amounts, especially if actual conditions turn out to be materially different than what we assumed. For example, if interest rates rise or fall faster than we assumed or the slope of the yield curve changes, we may incur significant losses on debt securities we hold as investments. To reduce our interest rate risk, we may rebalance our investment and loan portfolios, refinance our debt and take other strategic actions. We may incur losses when we take such actions.

We hold securities in our investment securities portfolio, including U.S. Treasury and federal agency securities and federal agency MBS, securities of U.S. states and political subdivisions, residential and commercial MBS, corporate debt securities, other asset-backed securities and marketable equity securities, including securities relating to our venture capital activities. We analyze securities held in our investment securities portfolio for OTTI on at least a quarterly basis. The process for determining whether impairment is other than temporary usually requires difficult, subjective judgments about the future financial performance of the issuer and any collateral underlying the security in order to assess the probability of receiving contractual principal and interest payments on the security. Because of changing economic and market conditions, as well as credit ratings, affecting issuers and the performance of the underlying collateral, we may be required to recognize OTTI in future periods. Our net income also is exposed to changes in interest rates, credit spreads, foreign exchange rates, equity and commodity prices in connection with our trading activities, which are conducted primarily to accommodate our customers in the management of their market price risk, as well as when we take positions based on market expectations or to benefit from differences between financial instruments and markets. The securities held in these activities are carried at fair value with realized and unrealized gains and losses recorded in noninterest income. As part of our business to support our customers, we trade public securities and these securities also are subject to market fluctuations with gains and losses recognized in net income when realized and periodically include OTTI charges. Although we have processes in place to measure and monitor the risks associated with our trading activities, including stress testing and hedging strategies, there can be no assurance that our processes and strategies will be effective in avoiding losses that could have a material adverse effect on our financial results.

The value of our public and private equity investments can fluctuate from quarter to quarter. Certain of these investments are carried under the cost or equity method, while others are carried at fair value with unrealized gains and losses reflected in earnings. Earnings from our equity investments may be volatile and hard to predict, and may have a significant effect on our earnings from period to period. When, and if, we recognize gains may depend on a number of factors, including general economic and market conditions, the prospects of the companies in which we invest, when a company goes public, the size of our position relative to the public float, and whether we are subject to any resale restrictions.

Our venture capital investments could result in significant OTTI losses for those investments carried under the cost or equity method. Our assessment for OTTI is based on a number of factors, including the then current market value of each investment compared with its carrying value. If we determine there is OTTI for an investment, we write-down the carrying value of the investment, resulting in a charge to earnings. The amount of this charge could be significant.

For more information, refer to the "Risk Management – Asset/Liability Management – Interest Rate Risk", "– Market Risk – Equity Investments", and "– Market Risk – Trading Activities" and the "Balance Sheet Analysis – Investment Securities" sections in this Report and Note 5 (Investment Securities) to Financial Statements in this Report.

Effective liquidity management, which ensures that we can meet customer loan requests, customer deposit maturities/withdrawals and other cash commitments, including principal and interest payments on our debt, efficiently under both normal operating conditions and other unpredictable circumstances of industry or financial market stress, is essential for the operation of our business, and our financial results and condition could be materially adversely affected if we do not effectively manage our liquidity. Our liquidity is essential for the operation of our business. We primarily rely on bank deposits to be a low cost and stable source of funding for the loans we make and the operation of our business. Core customer deposits, which include noninterest-bearing deposits, interest-bearing checking, savings certificates, certain market rate and other savings, and certain foreign deposits, have historically provided us with a sizeable source of relatively stable and low-cost funds. In addition to customer deposits, our sources of liquidity include investments in our securities portfolio, our ability to sell or securitize loans in secondary markets and to pledge loans to access secured borrowing facilities through the FHLB and the FRB, and our ability to raise funds in domestic and international money through capital markets.

Our liquidity and our ability to fund and run our business could be materially adversely affected by a variety of conditions and factors, including financial and credit market disruption and volatility or a lack of market or customer confidence in financial markets in general similar to what occurred during the financial crisis in 2008 and early 2009, which may result in a loss of customer deposits or outflows of cash or collateral and/or our inability to access capital markets on favorable terms. Market disruption and volatility could impact our credit spreads, which are the amount in excess of the interest rate of U.S. Treasury securities, or other benchmark securities, of the same maturity that we need to pay to our funding providers. Increases in interest rates and our credit spreads could significantly increase our funding costs. Other conditions and factors that could materially adversely affect our liquidity and funding include a lack of market or customer confidence in the Company or negative news about the Company or the financial services industry generally which also may result in a loss of deposits and/or negatively affect our ability to access the capital markets; our inability to sell or securitize loans or other assets, and, as described below, reductions in one or more of our credit ratings. Many of the above conditions and factors may be caused by events over which we have little or no control. While market conditions have continued to improve since the financial crisis, there can be no assurance that significant disruption and volatility in the financial markets will not occur in the future. For example, concerns over geopolitical issues, commodity and

currency prices, as well as global economic conditions, may cause financial market volatility.

In addition, concerns regarding the potential failure to raise the U.S. government debt limit and any associated downgrade of U.S. government debt ratings may cause uncertainty and volatility as well. A failure to raise the U.S. debt limit in the future and/or additional downgrades of the sovereign debt ratings of the U.S. government or the debt ratings of related institutions, agencies or instrumentalities, as well as other fiscal or political events could, in addition to causing economic and financial market disruptions, materially adversely affect the market value of the U.S. government securities that we hold, the availability of those securities as collateral for borrowing, and our ability to access capital markets on favorable terms, as well as have other material adverse effects on the operation of our business and our financial results and condition.

As noted above, we rely heavily on bank deposits for our funding and liquidity. We compete with banks and other financial services companies for deposits. If our competitors raise the rates they pay on deposits our funding costs may increase, either because we raise our rates to avoid losing deposits or because we lose deposits and must rely on more expensive sources of funding. Higher funding costs reduce our net interest margin and net interest income. Checking and savings account balances and other forms of customer deposits may decrease when customers perceive alternative investments, such as the stock market, as providing a better risk/return tradeoff. When customers move money out of bank deposits and into other investments, we may lose a relatively low cost source of funds, increasing our funding costs and negatively affecting our liquidity.

If we are unable to continue to fund our assets through customer bank deposits or access capital markets on favorable terms or if we suffer an increase in our borrowing costs or otherwise fail to manage our liquidity effectively, our liquidity, net interest margin, financial results and condition may be materially adversely affected. As we did during the financial crisis, we may also need, or be required by our regulators, to raise additional capital through the issuance of common stock, which could dilute the ownership of existing stockholders, or reduce or even eliminate our common stock dividend to preserve capital or in order to raise additional capital**.**

For more information, refer to the "Risk Management – Asset/Liability Management" section in this Report.

Adverse changes in our credit ratings could have a material adverse effect on our liquidity, cash flows, financial results and condition. Our borrowing costs and ability to obtain funding are influenced by our credit ratings. Reductions in one or more of our credit ratings could adversely affect our ability to borrow funds and raise the costs of our borrowings substantially and could cause creditors and business counterparties to raise collateral requirements or take other actions that could adversely affect our ability to raise funding. Credit ratings and credit ratings agencies' outlooks are based on the ratings agencies' analysis of many quantitative and qualitative factors, such as our capital adequacy, liquidity, asset quality, business mix, the level and quality of our earnings, rating agency assumptions regarding the probability and extent of federal financial assistance or support, and other rating agency specific criteria. In addition to credit ratings, our borrowing costs are affected by various other external factors, including market volatility and concerns or perceptions about the financial services industry generally.

In light of industry changes and regulatory developments related to the Title II Orderly Liquidation Authority of the Dodd-Frank Act, rating agencies have proposed changes to various aspects of their ratings methodologies. Moody's Investors Service has proposed significant revisions to its rating methodology, with a focus on how each type of creditor would be affected in any bank failure. Standard and Poor's Ratings Services (S&P) is continuing its reassessment of whether to incorporate the likelihood of extraordinary government support into the ratings of certain bank holding companies, including the Parent. In addition, S&P has recently issued a proposal to incorporate into its bank-level rating methodology an assessment of additional capital available to absorb losses to reduce default risk. There can be no assurance that we will maintain our credit ratings and outlooks and that credit ratings downgrades in the future would not materially affect our ability to borrow funds and borrowing costs.

Downgrades in our credit ratings also may trigger additional collateral or funding obligations which could negatively affect our liquidity, including as a result of credit-related contingent features in certain of our derivative contracts. Although a one or two notch downgrade in our current credit ratings would not be expected to trigger a material increase in our collateral or funding obligations, a more severe credit rating downgrade of our long-term and short-term credit ratings could increase our collateral or funding obligations and the effect on our liquidity could be material. For information regarding additional collateral and funding obligations required of certain derivative instruments in the event our credit ratings were to fall below investment grade, see Note 16 (Derivatives) to Financial Statements in this Report.

We rely on dividends from our subsidiaries for liquidity, and federal and state law can limit those dividends. Wells Fargo & Company, the parent holding company, is a separate and distinct legal entity from its subsidiaries. It receives a significant portion of its funding and liquidity from dividends and other distributions from its subsidiaries. We generally use these dividends and distributions, among other things, to pay dividends on our common and preferred stock and interest and principal on our debt. Federal and state laws limit the amount of dividends and distributions that our bank and some of our nonbank subsidiaries, including our broker-dealer subsidiaries, may pay to our parent holding company. Also, our right to participate in a distribution of assets upon a subsidiary's liquidation or reorganization is subject to the prior claims of the subsidiary's creditors.

For more information, refer to the "Regulation and Supervision – Dividend Restrictions" and "– Holding Company Structure" sections in our 2014 Form 10-K and to Note 3 (Cash, Loan and Dividend Restrictions) and Note 26 (Regulatory and Agency Capital Requirements) to Financial Statements in this Report.

RISKS RELATED TO FINANCIAL REGULATORY REFORM AND OTHER LEGISLATION AND REGULATIONS

Enacted legislation and regulation, including the Dodd-Frank Act, as well as future legislation and/or regulation, could require us to change certain of our business practices, reduce our revenue and earnings, impose additional costs on us or otherwise adversely affect our business operations and/or competitive position. Our parent company, our subsidiary banks and many

of our nonbank subsidiaries such as those related to our brokerage and mutual fund businesses, are subject to significant regulation under state and federal laws in the U.S., as well as the applicable laws of the various jurisdictions outside of the U.S. where we conduct business. These regulations protect depositors, federal deposit insurance funds, consumers, investors and the banking and financial system as a whole, not necessarily our stockholders. Economic, market and political conditions during the past few years have led to a significant amount of new legislation and regulation in the U.S. and abroad, as well as heightened expectations and scrutiny of financial services companies from banking regulators. These laws and regulations may affect the manner in which we do business and the products and services that we provide, affect or restrict our ability to compete in our current businesses or our ability to enter into or acquire new businesses, reduce or limit our revenue in businesses or impose additional fees, assessments or taxes on us, intensify the regulatory supervision of us and the financial services industry, and adversely affect our business operations or have other negative consequences.

On July 21, 2010, the Dodd-Frank Act, the most significant financial reform legislation since the 1930s, became law. The Dodd-Frank Act, among other things, (i) established the Financial Stability Oversight Council to monitor systemic risk posed by financial firms and imposes additional and enhanced FRB regulations, including capital and liquidity requirements, on certain large, interconnected bank holding companies such as Wells Fargo and systemically significant nonbanking firms intended to promote financial stability; (ii) creates a liquidation framework for the resolution of covered financial companies, the costs of which would be paid through assessments on surviving covered financial companies; (iii) makes significant changes to the structure of bank and bank holding company regulation and activities in a variety of areas, including prohibiting proprietary trading and private fund investment activities, subject to certain exceptions; (iv) creates a new framework for the regulation of over-the-counter derivatives and new regulations for the securitization market and strengthens the regulatory oversight of securities and capital markets by the SEC; (v) established the Consumer Financial Protection Bureau (CFPB) within the FRB, which has sweeping powers to administer and enforce a new federal regulatory framework of consumer financial regulation; (vi) may limit the existing pre-emption of state laws with respect to the application of such laws to national banks, makes federal pre-emption no longer applicable to operating subsidiaries of national banks, and gives state authorities, under certain circumstances, the ability to enforce state laws and federal consumer regulations against national banks; (vii) provides for increased regulation of residential mortgage activities; (viii) revised the FDIC's assessment base for deposit insurance by changing from an assessment base defined by deposit liabilities to a risk-based system based on total assets; (ix) phases out over three years beginning January 2013 the Tier 1 capital treatment of trust preferred securities; (x) permitted banks to pay interest on business checking accounts beginning on July 1, 2011; (xi) authorized the FRB under the Durbin Amendment to adopt regulations that limit debit card interchange fees received by debit card issuers; and (xii) includes several corporate governance and executive compensation provisions and requirements, including mandating an advisory stockholder vote on executive compensation.

The Dodd-Frank Act and many of its provisions became effective in July 2010 and July 2011. However, a number of its provisions still require final rulemaking, guidance, and interpretation by regulatory authorities. Accordingly, in many respects the ultimate impact of the Dodd-Frank Act and its effects on the U.S. financial system and the Company still remain uncertain. Nevertheless, the Dodd-Frank Act, including current and future rules implementing its provisions and the interpretation of those rules, could result in a loss of revenue, require us to change certain of our business practices, limit our ability to pursue certain business opportunities, increase our capital requirements and impose additional assessments and costs on us and otherwise adversely affect our business operations and have other negative consequences.

Our consumer businesses, including our mortgage, credit card and other consumer lending and non-lending businesses, may be negatively affected by the activities of the CFPB, which has broad rulemaking powers and supervisory authority over consumer financial products and services. Although the full impact of the CFPB on our businesses is uncertain, the CFPB's activities may increase our compliance costs and require changes in our business practices as a result of new regulations and requirements which could limit or negatively affect the products and services that we currently offer our customers. For example, in 2013, the CFPB issued a number of new rules impacting residential mortgage lending practices. As a result of greater regulatory scrutiny of our consumer businesses, we have become subject to more and expanded regulatory examinations and/or investigations, which also could result in increased costs and harm to our reputation in the event of a failure to comply with the increased regulatory requirements.

The Dodd-Frank Act's proposed prohibitions or limitations on proprietary trading and private fund investment activities, known as the "Volcker Rule," also may reduce our revenue and earnings, although proprietary trading has not been significant to our financial results. Rules to implement the requirements of the Volcker Rule were first proposed in 2011, and final rules were issued in December 2013. Pursuant to an order of the FRB, banking entities are required to make good faith planning efforts to come into compliance with the Volcker Rule's restrictions by July 21, 2015. The FRB announced that it intends to exercise its authority to give banking entities two additional one-year extensions to conform their ownership interests in and sponsorships of covered funds under the rule. Companies with $50 billion or more in trading assets and liabilities such as Wells Fargo were required to report trading metrics beginning June 30, 2014. Wells Fargo has begun submitting such metrics to the Volcker supervisory regulators. Wells Fargo will also be subject to enhanced compliance program requirements.

In addition, the Dodd-Frank Act established a comprehensive framework for regulating over-the-counter derivatives and authorized the CFTC and SEC to regulate swaps and security-based swaps, respectively. The CFTC and SEC have adopted various rules to implement this framework, including rules requiring extensive regulatory and public reporting of swaps, certain swaps to be centrally cleared and traded on exchanges or other multilateral platforms, and comprehensive internal and external business conduct standards. Also included in this regulatory framework are so-called push-out provisions requiring certain swap activities to be conducted through an affiliate. All of these rules, as well as others proposed or currently being considered by regulators in the U.S. and other jurisdictions, may negatively impact customer demand for over-the-counter derivatives and may increase our costs for engaging in swaps and other derivatives activities.

The Dodd-Frank Act also imposes changes on the ABS markets by requiring sponsors of ABS to hold at least a 5% ownership stake in the ABS. Exemptions from the requirement include qualified residential mortgages and FHA/VA loans.

Federal regulatory agencies have finalized rules to implement this credit risk retention requirement, which have only included limited exemptions. We continue to evaluate the final rules and assess their impact on our ability to issue certain ABS or otherwise participate in various securitization transactions.

In order to address the perceived risks that money market mutual funds may pose to the financial stability of the United States, the SEC adopted rules in July 2014 that, among other things, require significant structural changes to these funds, including requiring institutional prime money market funds to maintain a variable net asset value and providing for the imposition of liquidity fees and redemption gates for all non-governmental money market funds during periods in which they experience liquidity impairments of a certain magnitude. The SEC has provided a period of two years following the effective date of the rule for funds to comply with these structural changes. Certain of our money market mutual funds may see a decline in assets under management in response to implementation of these structural changes.

Federal banking regulators also continue to implement the provisions of the Dodd-Frank Act addressing the risks to the financial system posed by the failure of a systemically important financial institution. Pursuant to rules adopted by the FRB and the FDIC, Wells Fargo has prepared and filed a resolution plan, a so-called "living will," that is designed to facilitate our resolution in the event of material distress or failure. There can be no assurance that the FRB or FDIC will respond favorably to the Company's resolution plans. If the FRB and FDIC determine that our resolution plan is deficient, the Dodd-Frank Act authorizes the FRB and FDIC to impose more stringent capital, leverage or liquidity requirements on us or restrict our growth or activities until we submit a plan remedying the deficiencies. If the FRB and FDIC ultimately determine that we have been unable to remedy the deficiencies, they could order us to divest assets or operations in order to facilitate our orderly resolution in the event of our material distress or failure. Our national bank subsidiary, Wells Fargo Bank, N.A., is also required to prepare and submit a resolution plan to the FDIC under separate regulatory authority.

The Dodd-Frank Act also establishes an orderly liquidation process which allows for the appointment of the FDIC as a receiver of a systemically important financial institution that is in default or in danger of default. The FDIC has issued rules to implement its orderly liquidation authority and released a notice and request for comment regarding a proposed resolution strategy, known as "single point of entry," designed to resolve a large financial institution in a manner that would, among other things, impose losses on shareholders and creditors in accordance with statutory priorities, without imposing a cost on U.S. taxpayers. Implementation of the strategy would require that institutions maintain a sufficient amount of available equity and unsecured debt to absorb losses and recapitalize operating subsidiaries. The FDIC has not issued any final statements on the single point of entry resolution strategy.

Other future regulatory initiatives that could significantly affect our business include proposals to reform the housing finance market in the United States. These proposals, among other things, consider winding down the GSEs and reducing or eliminating over time the role of the GSEs in guaranteeing mortgages and providing funding for mortgage loans, as well as the implementation of reforms relating to borrowers, lenders, and investors in the mortgage market, including reducing the maximum size of a loan that the GSEs can guarantee, phasing in a minimum down payment requirement for borrowers, improving underwriting standards, and increasing accountability and transparency in the securitization process. Congress also may consider the adoption of legislation to reform the mortgage financing market in an effort to assist borrowers experiencing difficulty in making mortgage payments or refinancing their mortgages. The extent and timing of any regulatory reform or the adoption of any legislation regarding the GSEs and/or the home mortgage market, as well as any effect on the Company's business and financial results, are uncertain.

Any other future legislation and/or regulation, if adopted, also could significantly change our regulatory environment and increase our cost of doing business, limit the activities we may pursue or affect the competitive balance among banks, savings associations, credit unions, and other financial services companies, and have a material adverse effect on our financial results and condition.

For more information, refer to the "Regulatory Reform" section in this Report and the "Regulation and Supervision" section in our 2014 Form 10-K.

Bank regulations, including Basel capital and liquidity standards and FRB guidelines and rules, may require higher capital and liquidity levels, limiting our ability to pay common stock dividends, repurchase our common stock, invest in our business, or provide loans or other products and services to our customers. Federal banking regulators continually monitor the capital position of banks and bank holding companies. In December 2010, the Basel Committee on Banking Supervision (BCBS) finalized a set of international guidelines for determining regulatory capital known as Basel III. These guidelines are designed to address many of the weaknesses identified in the previous Basel standards and in the banking sector as contributing to the financial crisis of 2008 and 2009 by, among other things, increasing minimum capital requirements, increasing the quality of capital, increasing the risk coverage of the capital framework, increasing liquidity buffers, and increasing standards for the supervisory review process and public disclosure. When fully phased in, the Basel III guidelines require bank holding companies to maintain a minimum ratio of Common Equity Tier 1 (CET1) to risk-weighted assets of at least 7.0%.

U.S. regulatory authorities have been considering the BCBS capital guidelines and related proposals, and in July 2013, U.S. banking regulators approved final and interim final rules to implement the Basel III capital guidelines for U.S. banks. These final capital rules, among other things:

- implement in the United States the Basel III regulatory capital reforms including those that revise the definition of capital, increase minimum capital ratios, and introduce a minimum CET1 ratio of 4.5% and a capital conservation buffer of 2.5% (for a total minimum CET1 ratio of 7.0%) and a potential countercyclical buffer of up to 2.5%, which would be imposed by regulators at their discretion if it is determined that a period of excessive credit growth is contributing to an increase in systemic risk;
- require a Tier 1 capital to average total consolidated assets ratio of 4% and introduce, for large and internationally active bank holding companies (BHCs), a Tier 1 supplementary leverage ratio of 3% that incorporates off-balance sheet exposures;
- revise "Basel I" rules for calculating risk-weighted assets to enhance risk sensitivity under a standardized approach;
- modify the existing Basel II advanced approaches rules for calculating risk-weighted assets to implement Basel III;

- deduct certain assets from CET1, such as deferred tax assets that could not be realized through net operating loss carry-backs, significant investments in non-consolidated financial entities, and mortgage servicing rights, to the extent any one category exceeds 10% of CET1 or all such items, in the aggregate, exceed 15% of CET1;
- eliminate the accumulated other comprehensive income or loss filter that applies under risk-based capital rules over a five-year phase in period beginning in 2014; and
- comply with the Dodd-Frank Act provision prohibiting the reliance on external credit ratings.

The final capital rules became effective for Wells Fargo in January 2014, with certain provisions subject to phase-in periods. The Basel III capital rules are scheduled to be fully phased in by January 1, 2022.

In April 2014, federal banking regulators finalized a rule that enhances the supplementary leverage ratio requirements provided in the final capital rules for large BHCs, like Wells Fargo, and their insured depository institutions. The rule, which becomes effective on January 1, 2018, will require a covered BHC to maintain a supplementary leverage ratio of at least 5% to avoid restrictions on capital distributions and discretionary bonus payments and require that its insured depository institutions maintain a supplementary leverage ratio of 6% to be considered well capitalized. In addition, in September 2014, federal banking regulators issued a final rule that implements a quantitative liquidity requirement consistent with the liquidity coverage ratio (LCR) originally established by the BCBS. The rule requires banking institutions, such as Wells Fargo, to hold high-quality liquid assets, such as central bank reserves and government and corporate debt that can be converted easily and quickly into cash, in an amount equal to or greater than its projected net cash outflows during a 30-day stress period. The final LCR rule will be phased in beginning January 1, 2015, and requires full compliance with a minimum 100% LCR by January 1, 2017. The FRB also recently finalized rules imposing enhanced liquidity management standards on large BHCs such as Wells Fargo.

The FRB has also indicated that it is in the process of considering new rules to address the amount of equity and unsecured debt a company must hold to facilitate its orderly liquidation, often referred to as Total Loss Absorbing Capacity (TLAC). In November 2014, the Financial Stability Board (FSB) issued for public consultation policy proposals on TLAC. Under the FSB's TLAC proposal, global systemically important banks (G-SIBs) would be required to hold loss absorbing equity and unsecured debt of 16-20% of RWAs, with at least 33% of this total being unsecured debt rather than equity. The FRB will likely propose related rules sometime after the FSB's public consultation on the TLAC proposal ends.

In addition, in December 2014, the FRB proposed rules to implement an additional CET1 capital surcharge on those U.S. banking organizations, such as the Company, that have been designated by the FSB as G-SIBs. The G-SIB surcharge would be in addition to the minimum Basel III 7.0% CET1 requirement. Under the FRB proposal, estimated surcharges for G-SIBs would range from 1.0 to 4.5 percent of a firm's RWAs depending on methodologies that look at, among other things, the firm's systemic importance and use of short-term wholesale funding. The G-SIB surcharge would be phased in beginning on January 1, 2016 and become fully effective on January 1, 2019.

The ultimate impact of all of these finalized and proposed or contemplated rules on our capital and liquidity requirements will depend on final rulemaking and regulatory interpretation of the rules as we, along with our regulatory authorities, apply the final rules during the implementation process.

As part of its obligation to impose enhanced capital and risk-management standards on large financial firms pursuant to the Dodd-Frank Act, the FRB issued a final capital plan rule that became effective December 30, 2011. The final capital plan rule requires top-tier BHCs, including the Company, to submit annual capital plans for review and to obtain regulatory approval before making capital distributions. There can be no assurance that the FRB would respond favorably to the Company's future capital plans. The FRB has also finalized a number of regulations implementing enhanced prudential requirements for large BHCs like Wells Fargo regarding risk-based capital and leverage, risk and liquidity management, and imposing debt-to-equity limits on any BHC that regulators determine poses a grave threat to the financial stability of the United States. The FRB and OCC have also finalized rules implementing stress testing requirements for large BHCs and national banks. The FRB has also proposed, but not yet finalized, remediation requirements for large BHCs experiencing financial distress that would restrict capital distributions upon the occurrence of capital, stress test, or risk and liquidity management triggers. The OCC, under separate authority, has also established heightened governance and risk management standards for large national banks, such as Wells Fargo Bank, N.A.

The Basel standards and FRB regulatory capital and liquidity requirements may limit or otherwise restrict how we utilize our capital, including common stock dividends and stock repurchases, and may require us to increase our capital and/or liquidity. Any requirement that we increase our regulatory capital, regulatory capital ratios or liquidity could require us to liquidate assets or otherwise change our business, product offerings and/or investment plans, which may negatively affect our financial results. Although not currently anticipated, proposed capital requirements and/or our regulators may require us to raise additional capital in the future. Issuing additional common stock may dilute the ownership of existing stockholders. In addition, federal banking regulations may increase our compliance costs as well as limit our ability to invest in our business or provide loans or other products and services to our customers. For more information, refer to the "Capital Management" and "Regulatory Reform" sections in this Report and the "Regulation and Supervision" section of our 2014 Form 10-K.

FRB policies, including policies on interest rates, can significantly affect business and economic conditions and our financial results and condition. The FRB regulates the supply of money in the United States. Its policies determine in large part our cost of funds for lending and investing and the return we earn on those loans and investments, both of which affect our net interest income and net interest margin. The FRB's interest rate policies also can materially affect the value of financial instruments we hold, such as debt securities and MSRs. In addition, its policies can affect our borrowers, potentially increasing the risk that they may fail to repay their loans. Changes in FRB policies are beyond our control and can be hard to predict. The FRB recently reaffirmed the target range for the federal funds rate at near zero as it continues to assess U.S. unemployment rates and the FRB's two percent inflation target. The FRB has indicated that it will consider a wide range of information, such as additional labor market and financial market conditions, in its determination of how long to maintain the current target range. The FRB has stated that it intends to be patient before beginning to increase

the level of the federal funds rate. As noted above, a declining or low interest rate environment and a flattening yield curve which may result from the FRB's actions could negatively affect our net interest income and net interest margin as it may result in us holding lower yielding loans and investment securities on our balance sheet.

RISKS RELATED TO CREDIT AND OUR MORTGAGE BUSINESS

As one of the largest lenders in the U.S., increased credit risk, including as a result of a deterioration in economic conditions, could require us to increase our provision for credit losses and allowance for credit losses and could have a material adverse effect on our results of operations and financial condition. When we loan money or commit to loan money we incur credit risk, or the risk of losses if our borrowers do not repay their loans. As one of the largest lenders in the U.S., the credit performance of our loan portfolios significantly affects our financial results and condition. As noted above, if the current economic environment were to deteriorate, more of our customers may have difficulty in repaying their loans or other obligations which could result in a higher level of credit losses and provision for credit losses. We reserve for credit losses by establishing an allowance through a charge to earnings. The amount of this allowance is based on our assessment of credit losses inherent in our loan portfolio (including unfunded credit commitments). The process for determining the amount of the allowance is critical to our financial results and condition. It requires difficult, subjective and complex judgments about the future, including forecasts of economic or market conditions that might impair the ability of our borrowers to repay their loans. We might increase the allowance because of changing economic conditions, including falling home prices and higher unemployment, significant loan growth, or other factors. For example, if oil prices remain low for a prolonged period of time, we may have to increase the allowance, particularly to cover potential losses on loans to customers in the energy sector. Additionally, the regulatory environment or external factors, such as natural disasters, also can influence recognition of credit losses in our loan portfolios and impact our allowance for credit losses.

Reflecting the continued improved credit performance in our loan portfolios, our provision for credit losses was $1.6 billion and $2.2 billion less than net charge-offs in 2014 and 2013, respectively, which had a positive effect on our earnings. Future allowance levels may increase or decrease based on a variety of factors, including loan growth, portfolio performance and general economic conditions. While we believe that our allowance for credit losses was appropriate at December 31, 2014, there is no assurance that it will be sufficient to cover future credit losses, especially if housing and employment conditions worsen. In the event of significant deterioration in economic conditions or if we experience significant loan growth, we may be required to build reserves in future periods, which would reduce our earnings.

For more information, refer to the "Risk Management – Credit Risk Management" and "Critical Accounting Policies – Allowance for Credit Losses" sections in this Report.

We may have more credit risk and higher credit losses to the extent our loans are concentrated by loan type, industry segment, borrower type, or location of the borrower or collateral. Our credit risk and credit losses can increase if our loans are concentrated to borrowers engaged in the same or similar activities or to borrowers who as a group may be uniquely or disproportionately affected by economic or market conditions. We experienced the effect of concentration risk in 2009 and 2010 when we incurred greater than expected losses in our residential real estate loan portfolio due to a housing slowdown and greater than expected deterioration in residential real estate values in many markets, including the Central Valley California market and several Southern California metropolitan statistical areas. As California is our largest banking state in terms of loans and deposits, deterioration in real estate values and underlying economic conditions in those markets or elsewhere in California could result in materially higher credit losses. In addition, deterioration in macro-economic conditions generally across the country could result in materially higher credit losses, including for our residential real estate loan portfolio. We may experience higher delinquencies and higher loss rates as our consumer real estate secured lines of credit reach their contractual end of draw period and begin to amortize. Additionally, we may experience higher delinquencies and higher loss rates as borrowers in our consumer Pick-a-Pay portfolio reach their recast trigger, particularly if interest rates increase significantly which may cause more borrowers to experience a payment increase of more than 7.5% upon recast.

We are currently the largest CRE lender in the U.S. A deterioration in economic conditions that negatively affects the business performance of our CRE borrowers, including increases in interest rates and/or declines in commercial property values, could result in materially higher credit losses and have a material adverse effect on our financial results and condition.

Challenging economic conditions in Europe have increased our foreign credit risk. Although our foreign loan exposure represented only approximately 6% of our total consolidated outstanding loans and 3% of our total assets at December 31, 2014, continued European economic difficulties could indirectly have a material adverse effect on our credit performance and results of operations and financial condition to the extent it negatively affects the U.S. economy and/or our borrowers who have foreign operations.

For more information, refer to the "Risk Management – Credit Risk Management" section and Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

We may incur losses on loans, securities and other acquired assets of Wachovia that are materially greater than reflected in our fair value adjustments. We accounted for the Wachovia merger under the purchase method of accounting, recording the acquired assets and liabilities of Wachovia at fair value. All PCI loans acquired in the merger were recorded at fair value based on the present value of their expected cash flows. We estimated cash flows using internal credit, interest rate and prepayment risk models using assumptions about matters that are inherently uncertain. We may not realize the estimated cash flows or fair value of these loans. In addition, although the difference between the pre-merger carrying value of the credit-impaired loans and their expected cash flows – the "nonaccretable difference" – is available to absorb future charge-offs, we may be required to increase our allowance for credit losses and related provision expense because of subsequent additional credit deterioration in these loans.

For more information, refer to the "Critical Accounting Policies – Purchased Credit-Impaired (PCI) Loans" and "Risk Management – Credit Risk Management" sections in this Report.

Our mortgage banking revenue can be volatile from quarter to quarter, including as a result of changes in interest rates and the value of our MSRs and MHFS, and we rely on the GSEs to purchase our conforming loans to reduce our credit risk and provide liquidity to fund new mortgage loans. We were the largest mortgage originator and residential mortgage servicer in the U.S. as of December 31, 2014, and we earn revenue from fees we receive for originating mortgage loans and for servicing mortgage loans. As a result of our mortgage servicing business, we have a sizeable portfolio of MSRs. An MSR is the right to service a mortgage loan – collect principal, interest and escrow amounts – for a fee. We acquire MSRs when we keep the servicing rights after we sell or securitize the loans we have originated or when we purchase the servicing rights to mortgage loans originated by other lenders. We initially measure and carry all our residential MSRs using the fair value measurement method. Fair value is the present value of estimated future net servicing income, calculated based on a number of variables, including assumptions about the likelihood of prepayment by borrowers. Changes in interest rates can affect prepayment assumptions and thus fair value. When interest rates fall, borrowers are usually more likely to prepay their mortgage loans by refinancing them at a lower rate. As the likelihood of prepayment increases, the fair value of our MSRs can decrease. Each quarter we evaluate the fair value of our MSRs, and any decrease in fair value reduces earnings in the period in which the decrease occurs. We also measure at fair value MHFS for which an active secondary market and readily available market prices exist. In addition, we measure at fair value certain other interests we hold related to residential loan sales and securitizations. Similar to other interest-bearing securities, the value of these MHFS and other interests may be negatively affected by changes in interest rates. For example, if market interest rates increase relative to the yield on these MHFS and other interests, their fair value may fall.

When rates rise, the demand for mortgage loans usually tends to fall, reducing the revenue we receive from loan originations. Under the same conditions, revenue from our MSRs can increase through increases in fair value. When rates fall, mortgage originations usually tend to increase and the value of our MSRs usually tends to decline, also with some offsetting revenue effect. Even though they can act as a "natural hedge," the hedge is not perfect, either in amount or timing. For example, the negative effect on revenue from a decrease in the fair value of residential MSRs is generally immediate, but any offsetting revenue benefit from more originations and the MSRs relating to the new loans would generally accrue over time. It is also possible that, because of economic conditions and/or a weak or deteriorating housing market, even if interest rates were to fall or remain low, mortgage originations may also fall or any increase in mortgage originations may not be enough to offset the decrease in the MSRs value caused by the lower rates.

We typically use derivatives and other instruments to hedge our mortgage banking interest rate risk. We may not hedge all of our risk, and we may not be successful in hedging any of the risk. Hedging is a complex process, requiring sophisticated models and constant monitoring, and is not a perfect science. We may use hedging instruments tied to U.S. Treasury rates, LIBOR or Eurodollars that may not perfectly correlate with the value or income being hedged. We could incur significant losses from our hedging activities. There may be periods where we elect not to use derivatives and other instruments to hedge mortgage banking interest rate risk.

We rely on GSEs to purchase mortgage loans that meet their conforming loan requirements and on the Federal Housing Authority (FHA) to insure loans that meet their policy requirements. These loans are then securitized into either GSE or GNMA securities that are sold to investors. In order to meet customer needs, we also originate loans that do not conform to either GSE or FHA standards, which are referred to as "nonconforming" loans. We generally retain these nonconforming loans on our balance sheet. When we retain a loan on our balance sheet not only do we forgo fee revenue and keep the credit risk of the loan but we also do not receive any sale proceeds that could be used to generate new loans. If we were unable or unwilling to continue retaining nonconforming loans on our balance sheet, whether due to regulatory, business or other reasons, our ability to originate new mortgage loans may be reduced, thereby reducing the fees we earn from originating and servicing loans. Similarly, if the GSEs or the FHA were to limit or reduce their purchases of loans, our ability to fund, and thus originate new mortgage loans, could also be reduced. We cannot assure that the GSEs or the FHA will not materially limit their purchases of conforming loans or change their criteria for what constitutes a conforming loan (e.g., maximum loan amount or borrower eligibility). Each of the GSEs is currently in conservatorship, with its primary regulator, the Federal Housing Finance Agency acting as conservator. We cannot predict if, when or how the conservatorship will end, or any associated changes to the GSEs business structure and operations that could result. As noted above, there are various proposals to reform the housing finance market in the U.S., including the role of the GSEs in the housing finance market. The impact of any such regulatory reform regarding the housing finance market and the GSEs, including whether the GSEs will continue to exist in their current form, as well as any effect on the Company's business and financial results, are uncertain.

For more information, refer to the "Risk Management – Asset/Liability Management – Mortgage Banking Interest Rate and Market Risk" and "Critical Accounting Policies" sections in this Report.

We may be required to repurchase mortgage loans or reimburse investors and others as a result of breaches in contractual representations and warranties, and we may incur other losses as a result of real or alleged violations of statutes or regulations applicable to the origination of our residential mortgage loans. The origination of residential mortgage loans is governed by a variety of federal and state laws and regulations, including the Truth in Lending Act of 1968 and various anti-fraud and consumer protection statutes, which are complex and frequently changing. We often sell residential mortgage loans that we originate to various parties, including GSEs, SPEs that issue private label MBS, and other financial institutions that purchase mortgage loans for investment or private label securitization. We may also pool FHA-insured and VA-guaranteed mortgage loans which back securities guaranteed by GNMA. The agreements under which we sell mortgage loans and the insurance or guaranty agreements with the FHA and VA contain various representations and warranties regarding the origination and characteristics of the mortgage loans, including ownership of the loan, compliance with loan criteria set forth in the applicable agreement, validity of the lien securing the loan, absence of delinquent taxes or liens against the property securing the loan, and compliance with applicable origination laws. We may be required to repurchase mortgage loans, indemnify the securitization trust, investor or insurer, or reimburse the

securitization trust, investor or insurer for credit losses incurred on loans in the event of a breach of contractual representations or warranties that is not remedied within a period (usually 90 days or less) after we receive notice of the breach. Contracts for mortgage loan sales to the GSEs include various types of specific remedies and penalties that could be applied to inadequate responses to repurchase requests. Similarly, the agreements under which we sell mortgage loans require us to deliver various documents to the securitization trust or investor, and we may be obligated to repurchase any mortgage loan as to which the required documents are not delivered or are defective. We may negotiate global settlements in order to resolve a pipeline of demands in lieu of repurchasing the loans. We establish a mortgage repurchase liability related to the various representations and warranties that reflect management's estimate of losses for loans which we have a repurchase obligation. Our mortgage repurchase liability represents management's best estimate of the probable loss that we may expect to incur for the representations and warranties in the contractual provisions of our sales of mortgage loans. Because the level of mortgage loan repurchase losses depends upon economic factors, investor demand strategies and other external conditions that may change over the life of the underlying loans, the level of the liability for mortgage loan repurchase losses is difficult to estimate and requires considerable management judgment. As a result of the uncertainty in the various estimates underlying the mortgage repurchase liability, there is a range of losses in excess of the recorded mortgage repurchase liability that are reasonably possible. The estimate of the range of possible loss for representations and warranties does not represent a probable loss, and is based on currently available information, significant judgment, and a number of assumptions that are subject to change. If economic conditions and the housing market do not continue to improve or future investor repurchase demand and our success at appealing repurchase requests differ from past experience, we could continue to have increased repurchase obligations and increased loss severity on repurchases, requiring material additions to the repurchase liability.

Additionally, for residential mortgage loans that we originate, borrowers may allege that the origination of the loans did not comply with applicable laws or regulations in one or more respects and assert such violation as an affirmative defense to payment or to the exercise by us of our remedies, including foreclosure proceedings, or in an action seeking statutory and other damages in connection with such violation. If we are not successful in demonstrating that the loans in dispute were originated in accordance with applicable statutes and regulations, we could become subject to monetary damages and other civil penalties, including the loss of certain contractual payments or the inability to exercise certain remedies under the loans.

For more information, refer to the "Risk Management – Credit Risk Management – Liability for Mortgage Loan Repurchase Losses" section in this Report.

We may be terminated as a servicer or master servicer, be required to repurchase a mortgage loan or reimburse investors for credit losses on a mortgage loan, or incur costs, liabilities, fines and other sanctions if we fail to satisfy our servicing obligations, including our obligations with respect to mortgage loan foreclosure actions. We act as servicer and/or master servicer for mortgage loans included in securitizations and for unsecuritized mortgage loans owned by investors. As a servicer or master servicer for those loans we have certain contractual obligations to the securitization trusts, investors or other third parties, including, in our capacity as a servicer, foreclosing on defaulted mortgage loans or, to the extent consistent with the applicable securitization or other investor agreement, considering alternatives to foreclosure such as loan modifications or short sales and, in our capacity as a master servicer, overseeing the servicing of mortgage loans by the servicer. If we commit a material breach of our obligations as servicer or master servicer, we may be subject to termination if the breach is not cured within a specified period of time following notice, which can generally be given by the securitization trustee or a specified percentage of security holders, causing us to lose servicing income. In addition, we may be required to indemnify the securitization trustee against losses from any failure by us, as a servicer or master servicer, to perform our servicing obligations or any act or omission on our part that involves willful misfeasance, bad faith or gross negligence. For certain investors and/or certain transactions, we may be contractually obligated to repurchase a mortgage loan or reimburse the investor for credit losses incurred on the loan as a remedy for servicing errors with respect to the loan. If we have increased repurchase obligations because of claims that we did not satisfy our obligations as a servicer or master servicer, or increased loss severity on such repurchases, we may have a significant reduction to net servicing income within mortgage banking noninterest income.

We may incur costs if we are required to, or if we elect to, re-execute or re-file documents or take other action in our capacity as a servicer in connection with pending or completed foreclosures. We may incur litigation costs if the validity of a foreclosure action is challenged by a borrower. If a court were to overturn a foreclosure because of errors or deficiencies in the foreclosure process, we may have liability to the borrower and/or to any title insurer of the property sold in foreclosure if the required process was not followed. These costs and liabilities may not be legally or otherwise reimbursable to us, particularly to the extent they relate to securitized mortgage loans. In addition, if certain documents required for a foreclosure action are missing or defective, we could be obligated to cure the defect or repurchase the loan. We may incur liability to securitization investors relating to delays or deficiencies in our processing of mortgage assignments or other documents necessary to comply with state law governing foreclosures. The fair value of our MSRs may be negatively affected to the extent our servicing costs increase because of higher foreclosure costs. We may be subject to fines and other sanctions imposed by Federal or state regulators as a result of actual or perceived deficiencies in our foreclosure practices or in the foreclosure practices of other mortgage loan servicers. Any of these actions may harm our reputation or negatively affect our residential mortgage origination or servicing business. In particular, on February 28, 2013, we entered into amendments to an April 2011 Consent Order with both the OCC and the FRB, which effectively ceased the Independent Foreclosure Review program created by such Consent Order and replaced it with an accelerated remediation commitment to provide foreclosure prevention actions on $1.2 billion of residential mortgage loans, subject to a process to be administered by the OCC and the FRB. During 2014, we believe we reported sufficient foreclosure prevention actions to the monitor of the accelerated remediation process to meet the $1.2 billion commitment, but are awaiting monitor approval. As noted above, any increase in our servicing costs from changes in our foreclosure and other servicing practices, including resulting

from consent orders, negatively affects the fair value of our MSRs.

In addition, on February 9, 2012, a federal/state settlement was announced among the DOJ, HUD, the Department of the Treasury, the Department of Veterans Affairs, the Federal Trade Commission, the Executive Office of the U.S. Trustee, the Consumer Financial Protection Bureau, a task force of Attorneys General, Wells Fargo, and four other servicers related to investigations of mortgage industry servicing and foreclosure practices. Under the terms of this settlement, we agreed to certain programmatic commitments, consisting of three components totaling approximately $5.3 billion. As announced on March 18, 2014, we have successfully fulfilled our remaining commitments (and state-level sub-commitments) in accordance with the terms of this settlement.

As part of the settlement, the Company was released from claims and allegations relating to servicing, modification and foreclosure practices; however, the settlement does not release the Company from any claims arising out of securitization activities, including representations made to investors respecting mortgage-backed securities; criminal claims; repurchase demands from the GSEs; and inquiries into MERS, among other items. Any investigations or litigation relating to any of the Company's mortgage servicing and foreclosure practices that are not covered or released by the settlement could result in material fines, penalties, equitable remedies, or other enforcement actions.

For more information, refer to the "Risk Management – Credit Risk Management – Liability for Mortgage Loan Repurchase Losses" and "– Risks Relating to Servicing Activities," and "Critical Accounting Policies – Valuation of Residential Mortgage Servicing Rights" sections and Note 14 (Guarantees, Pledged Assets and Collateral) and Note 15 (Legal Actions) to Financial Statements in this Report.

Financial difficulties or credit downgrades of mortgage and bond insurers may negatively affect our servicing and investment portfolios. Our servicing portfolio includes certain mortgage loans that carry some level of insurance from one or more mortgage insurance companies. To the extent that any of these companies experience financial difficulties or credit downgrades, we may be required, as servicer of the insured loan on behalf of the investor, to obtain replacement coverage with another provider, possibly at a higher cost than the coverage we would replace. We may be responsible for some or all of the incremental cost of the new coverage for certain loans depending on the terms of our servicing agreement with the investor and other circumstances, although we do not have an additional risk of repurchase loss associated with claim amounts for loans sold to third-party investors. Similarly, some of the mortgage loans we hold for investment or for sale carry mortgage insurance. If a mortgage insurer is unable to meet its credit obligations with respect to an insured loan, we might incur higher credit losses if replacement coverage is not obtained. For example, in October 2011, PMI Mortgage Insurance Co. (PMI), one of our providers of mortgage insurance, was seized by its regulator. We previously utilized PMI to provide mortgage insurance on certain loans originated and held in our portfolio and on loans originated and sold to third-party investors. We also hold a small amount of residential MBS, which are backed by mortgages with a limited amount of insurance provided by PMI. PMI has announced that it will pay 50% of insurance claim amounts in cash with the rest deferred. Although we do not expect PMI's situation to have a material adverse effect on our financial results because of the limited amount of loans and securities held in our portfolios with PMI insurance support, we cannot be certain that any such future events involving one of our other mortgage insurance company providers will not materially adversely affect our mortgage business and/or financial results. We also have investments in municipal bonds that are guaranteed against loss by bond insurers. The value of these bonds and the payment of principal and interest on them may be negatively affected by financial difficulties or credit downgrades experienced by the bond insurers.

For more information, refer to the "Earnings Performance – Balance Sheet Analysis – Investment Securities" and "Risk Management – Credit Risk Management– Liability for Mortgage Loan Repurchase Losses" sections in this Report.

OPERATIONAL AND LEGAL RISK

A failure in or breach of our operational or security systems or infrastructure, or those of our third party vendors and other service providers, including as a result of cyber attacks, could disrupt our businesses, result in the disclosure or misuse of confidential or proprietary information, damage our reputation, increase our costs and cause losses. As a large financial institution that serves over 70 million customers through over 8,700 locations, 12,500 ATMs, the Internet and other distribution channels across the U.S. and internationally, we depend on our ability to process, record and monitor a large number of customer transactions on a continuous basis. As our customer base and locations have expanded throughout the U.S. and internationally, and as customer, public, legislative and regulatory expectations regarding operational and information security have increased, our operational systems and infrastructure must continue to be safeguarded and monitored for potential failures, disruptions and breakdowns. Our business, financial, accounting, data processing systems or other operating systems and facilities may stop operating properly or become disabled or damaged as a result of a number of factors including events that are wholly or partially beyond our control. For example, there could be sudden increases in customer transaction volume; electrical or telecommunications outages; degradation or loss of public internet domain; climate change related impacts and natural disasters such as earthquakes, tornados, and hurricanes; disease pandemics; events arising from local or larger scale political or social matters, including terrorist acts; and, as described below, cyber attacks. Although we have business continuity plans and other safeguards in place, our business operations may be adversely affected by significant and widespread disruption to our physical infrastructure or operating systems that support our businesses and customers.

Information security risks for large financial institutions such as Wells Fargo have generally increased in recent years in part because of the proliferation of new technologies, the use of the Internet and telecommunications technologies to conduct financial transactions, and the increased sophistication and activities of organized crime, hackers, terrorists, activists, and other external parties, including foreign state-sponsored parties. Those parties also may attempt to fraudulently induce employees, customers, or other users of our systems to disclose confidential information in order to gain access to our data or that of our customers. As noted above, our operations rely on the secure processing, transmission and storage of confidential information in our computer systems and networks. Our banking, brokerage, investment advisory, and capital markets businesses rely on our digital technologies, computer and email systems, software, and networks to conduct their operations. In

addition, to access our products and services, our customers may use personal smartphones, tablet PC's, and other mobile devices that are beyond our control systems. Although we believe we have robust information security procedures and controls, our technologies, systems, networks, and our customers' devices may become the target of cyber attacks or information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of Wells Fargo's or our customers' confidential, proprietary and other information, or otherwise disrupt Wells Fargo's or its customers' or other third parties' business operations. For example, various retailers have reported they were victims of cyber attacks in which large amounts of their customers' data, including debit and credit card information, was obtained. In these situations we generally incur costs to replace compromised cards and address fraudulent transaction activity affecting our customers.

Third parties with which we do business or that facilitate our business activities, including exchanges, clearing houses, financial intermediaries or vendors that provide services or security solutions for our operations, could also be sources of operational and information security risk to us, including from breakdowns or failures of their own systems or capacity constraints.

To date we have not experienced any material losses relating to cyber attacks or other information security breaches, but there can be no assurance that we will not suffer such losses in the future. Our risk and exposure to these matters remains heightened because of, among other things, the evolving nature of these threats, the prominent size and scale of Wells Fargo and its role in the financial services industry, our plans to continue to implement our Internet banking and mobile banking channel strategies and develop additional remote connectivity solutions to serve our customers when and how they want to be served, our expanded geographic footprint and international presence, the outsourcing of some of our business operations, and the current global economic and political environment. For example, Wells Fargo and other financial institutions continue to be the target of various evolving and adaptive cyber attacks, including malware and denial-of-service, as part of an effort to disrupt the operations of financial institutions, potentially test their cybersecurity capabilities, or obtain confidential, proprietary or other information. As a result, cybersecurity and the continued development and enhancement of our controls, processes and systems designed to protect our networks, computers, software and data from attack, damage or unauthorized access remain a priority for Wells Fargo. We are also proactively involved in industry cybersecurity efforts and working with other parties, including our third-party service providers and governmental agencies, to continue to enhance defenses and improve resiliency to cybersecurity threats. As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities.

Disruptions or failures in the physical infrastructure or operating systems that support our businesses and customers, or cyber attacks or security breaches of the networks, systems or devices that our customers use to access our products and services could result in customer attrition, financial losses, the inability of our customers to transact business with us, violations of applicable privacy and other laws, regulatory fines, penalties or intervention, reputational damage, reimbursement or other compensation costs, and/or additional compliance costs, any of which could materially adversely affect our results of operations or financial condition.

Our framework for managing risks may not be effective in mitigating risk and loss to us. Our risk management framework seeks to mitigate risk and loss to us. We have established processes and procedures intended to identify, measure, monitor, report and analyze the types of risk to which we are subject, including liquidity risk, credit risk, market risk, interest rate risk, operational risk, legal and compliance risk, and reputational risk, among others. However, as with any risk management framework, there are inherent limitations to our risk management strategies as there may exist, or develop in the future, risks that we have not appropriately anticipated or identified. In certain instances, we rely on models to measure, monitor and predict risks, such as market and interest rate risks, however there is no assurance that these models will appropriately capture all relevant risks or accurately predict future events or exposures. In addition, we rely on data to aggregate and assess our various risk exposures and any issues with the quality or effectiveness of our data aggregation and validation procedures could result in ineffective risk management practices or inaccurate risk reporting. The recent financial and credit crisis and resulting regulatory reform highlighted both the importance and some of the limitations of managing unanticipated risks, and our regulators remain focused on ensuring that financial institutions build and maintain robust risk management policies. If our risk management framework proves ineffective, we could suffer unexpected losses which could materially adversely affect our results of operations or financial condition.

We may incur fines, penalties and other negative consequences from regulatory violations, possibly even inadvertent or unintentional violations. We maintain systems and procedures designed to ensure that we comply with applicable laws and regulations. However, some legal/regulatory frameworks provide for the imposition of fines or penalties for noncompliance even though the noncompliance was inadvertent or unintentional and even though there was in place at the time systems and procedures designed to ensure compliance. For example, we are subject to regulations issued by the Office of Foreign Assets Control (OFAC) that prohibit financial institutions from participating in the transfer of property belonging to the governments of certain foreign countries and designated nationals of those countries. OFAC may impose penalties for inadvertent or unintentional violations even if reasonable processes are in place to prevent the violations. There may be other negative consequences resulting from a finding of noncompliance, including restrictions on certain activities. Such a finding may also damage our reputation as described below and could restrict the ability of institutional investment managers to invest in our securities.

Under the Iran Threat Reduction and Syria Human Rights Act of 2012, we are required to make certain disclosures in our periodic reports filed with the SEC relating to certain activities that we or our worldwide affiliates knowingly engaged in involving Iran during the quarterly period covered by the report. If we or an affiliate were to engage in a reportable transaction, we must also file a separate notice regarding the activity with the SEC, which the SEC will make publicly available on its website. The SEC will be required to forward the report to the President, the Senate Committees on Foreign Relations and Banking, Housing and Urban Affairs, and the House of Representatives Committees on Foreign Affairs and Financial Services. The President will then be required to initiate an investigation into the reported activity and within 180 days make a determination as to whether to impose sanctions on us. The scope of the

reporting requirement is broad and covers any domestic or foreign entity or person that may be deemed to be an affiliate of ours. The potential sanctions and reputational harm for engaging in a reportable activity may be significant.

Negative publicity, including as a result of protests, could damage our reputation and business. Reputation risk, or the risk to our business, earnings and capital from negative public opinion, is inherent in our business and has increased substantially because of the financial crisis and our size and profile in the financial services industry. The reputation of the financial services industry in general has been damaged as a result of the financial crisis and other matters affecting the financial services industry, and negative public opinion about the financial services industry generally or Wells Fargo specifically could adversely affect our ability to keep and attract customers. Negative public opinion could result from our actual or alleged conduct in any number of activities, including mortgage lending practices, servicing and foreclosure activities, corporate governance, regulatory compliance, mergers and acquisitions, and disclosure, sharing or inadequate protection of customer information, and from actions taken by government regulators and community or other organizations in response to that conduct. Because we conduct most of our businesses under the "Wells Fargo" brand, negative public opinion about one business could affect our other businesses and also could negatively affect our "cross-sell" strategy. The proliferation of social media websites utilized by Wells Fargo and other third parties, as well as the personal use of social media by our team members and others, including personal blogs and social network profiles, also may increase the risk that negative, inappropriate or unauthorized information may be posted or released publicly that could harm our reputation or have other negative consequences, including as a result of our team members interacting with our customers in an unauthorized manner in various social media outlets.

As a result of the financial crisis, Wells Fargo and other financial institutions have been targeted from time to time by protests and demonstrations, which have included disrupting the operation of our retail banking stores and have resulted in negative public commentary about financial institutions, including the fees charged for various products and services. There can be no assurance that continued protests and negative publicity for the Company or large financial institutions generally will not harm our reputation and adversely affect our business and financial results.

Risks Relating to Legal Proceedings. Wells Fargo and some of its subsidiaries are involved in judicial, regulatory and arbitration proceedings or investigations concerning matters arising from our business activities. Although we believe we have a meritorious defense in all significant litigation pending against us, there can be no assurance as to the ultimate outcome. We establish reserves for legal claims when payments associated with the claims become probable and the costs can be reasonably estimated. We may still incur legal costs for a matter even if we have not established a reserve. In addition, the actual cost of resolving a legal claim may be substantially higher than any amounts reserved for that matter. The ultimate resolution of a pending legal proceeding, depending on the remedy sought and granted, could materially adversely affect our results of operations and financial condition.

For more information, refer to Note 15 (Legal Actions) to Financial Statements in this Report.

RISKS RELATED TO OUR INDUSTRY'S COMPETITIVE OPERATING ENVIRONMENT

We face significant and increasing competition in the rapidly evolving financial services industry. We compete with other financial institutions in a highly competitive industry that is undergoing significant changes as a result of financial regulatory reform and increased public scrutiny stemming from the financial crisis and continued challenging economic conditions. Wells Fargo generally competes on the basis of the quality of our customer service, the wide variety of products and services that we can offer our customers and the ability of those products and services to satisfy our customers' needs, the pricing of our products and services, the extensive distribution channels available for our customers, our innovation, and our reputation. Continued and increased competition in any one or all of these areas may negatively affect our market share and results of operations and/or cause us to increase our capital investment in our businesses in order to remain competitive. Given the current economic, regulatory, and political environment for large financial institutions such as Wells Fargo, and possible public backlash to bank fees, there is increased competitive pressure to provide products and services at current or lower prices. Consequently, our ability to reposition or reprice our products and services from time to time may be limited and could be influenced significantly by the actions of our competitors who may or may not charge similar fees for their products and services. Any changes in the types of products and services that we offer our customers and/or the pricing for those products and services could result in a loss of customers and market share and could materially adversely affect our results of operations.

Continued technological advances and the growth of e-commerce have made it possible for non-depository institutions to offer products and services that traditionally were banking products, and for financial institutions and other companies to provide electronic and internet-based financial solutions, including electronic payment solutions. We may not respond effectively to these competitive threats from existing and new competitors and may be forced to increase our investment in our business to modify or adapt our existing products and services or develop new products and services to respond to our customers' needs.

Our "cross-selling" efforts to increase the number of products our customers buy from us and offer our customers all of the financial products that fulfill their needs is a key part of our growth strategy, and our failure to execute this strategy effectively could have a material adverse effect on our revenue growth and financial results. Selling more products to our customers – "cross-selling" – is very important to our business model and key to our ability to grow revenue and earnings especially during the current environment of slow economic growth and regulatory reform initiatives. Many of our competitors also focus on cross-selling, especially in retail banking and mortgage lending. This can limit our ability to sell more products to our customers or influence us to sell our products at lower prices, reducing our net interest income and revenue from our fee-based products. It could also affect our ability to keep existing customers. New technologies could require us to spend more to modify or adapt our products to attract and retain customers. Our cross-sell strategy also is dependent on earning more business from our Wachovia customers, and increasing our cross-sell ratio – or the average number of products sold to existing customers – may

become more challenging and we might not attain our goal of selling an average of eight products to each customer.

Our ability to attract and retain qualified team members is critical to the success of our business and failure to do so could adversely affect our business performance, competitive position and future prospects. The success of Wells Fargo is heavily dependent on the talents and efforts of our team members, and in many areas of our business, including the commercial banking, brokerage, investment advisory, and capital markets businesses, the competition for highly qualified personnel is intense. In order to attract and retain highly qualified team members, we must provide competitive compensation. As a large financial institution we may be subject to limitations on compensation by our regulators that may adversely affect our ability to attract and retain these qualified team members. Some of our competitors may not be subject to these same compensation limitations, which may further negatively affect our ability to attract and retain highly qualified team members.

RISKS RELATED TO OUR FINANCIAL STATEMENTS

Changes in accounting policies or accounting standards, and changes in how accounting standards are interpreted or applied, could materially affect how we report our financial results and condition. Our accounting policies are fundamental to determining and understanding our financial results and condition. As described below, some of these policies require use of estimates and assumptions that may affect the value of our assets or liabilities and financial results. Any changes in our accounting policies could materially affect our financial statements.

From time to time the FASB and the SEC change the financial accounting and reporting standards that govern the preparation of our external financial statements. In addition, accounting standard setters and those who interpret the accounting standards (such as the FASB, SEC, banking regulators and our outside auditors) may change or even reverse their previous interpretations or positions on how these standards should be applied. Changes in financial accounting and reporting standards and changes in current interpretations may be beyond our control, can be hard to predict and could materially affect how we report our financial results and condition. We may be required to apply a new or revised standard retroactively or apply an existing standard differently, also retroactively, in each case potentially resulting in our restating prior period financial statements in material amounts.

Our financial statements are based in part on assumptions and estimates which, if wrong, could cause unexpected losses in the future, and our financial statements depend on our internal controls over financial reporting. Pursuant to U.S. GAAP, we are required to use certain assumptions and estimates in preparing our financial statements, including in determining credit loss reserves, reserves for mortgage repurchases, reserves related to litigation and the fair value of certain assets and liabilities, among other items. Several of our accounting policies are critical because they require management to make difficult, subjective and complex judgments about matters that are inherently uncertain and because it is likely that materially different amounts would be reported under different conditions or using different assumptions. For a description of these policies, refer to the "Critical Accounting Policies" section in this Report. If assumptions or estimates underlying our financial statements are incorrect, we may experience material losses.

Certain of our financial instruments, including trading assets and liabilities, investment securities, certain loans, MSRs, private equity investments, structured notes and certain repurchase and resale agreements, among other items, require a determination of their fair value in order to prepare our financial statements. Where quoted market prices are not available, we may make fair value determinations based on internally developed models or other means which ultimately rely to some degree on management judgment, and there is no assurance that our models will capture or appropriately reflect all relevant inputs required to accurately determine fair value. Some of these and other assets and liabilities may have no direct observable price levels, making their valuation particularly subjective, being based on significant estimation and judgment. In addition, sudden illiquidity in markets or declines in prices of certain loans and securities may make it more difficult to value certain balance sheet items, which may lead to the possibility that such valuations will be subject to further change or adjustment and could lead to declines in our earnings.

The Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley) requires our management to evaluate the Company's disclosure controls and procedures and its internal control over financial reporting and requires our auditors to issue a report on our internal control over financial reporting. We are required to disclose, in our annual report on Form 10-K, the existence of any "material weaknesses" in our internal controls. We cannot assure that we will not identify one or more material weaknesses as of the end of any given quarter or year, nor can we predict the effect on our stock price of disclosure of a material weakness. Sarbanes-Oxley also limits the types of non-audit services our outside auditors may provide to us in order to preserve their independence from us. If our auditors were found not to be "independent" of us under SEC rules, we could be required to engage new auditors and re-file financial statements and audit reports with the SEC. We could be out of compliance with SEC rules until new financial statements and audit reports were filed, limiting our ability to raise capital and resulting in other adverse consequences.

RISKS RELATED TO ACQUISITIONS

Acquisitions could reduce our stock price upon announcement and reduce our earnings if we overpay or have difficulty integrating them. We regularly explore opportunities to acquire companies in the financial services industry. We cannot predict the frequency, size or timing of our acquisitions, and we typically do not comment publicly on a possible acquisition until we have signed a definitive agreement. When we do announce an acquisition, our stock price may fall depending on the size of the acquisition, the type of business to be acquired, the purchase price, and the potential dilution to existing stockholders or our earnings per share if we issue common stock in connection with the acquisition.

We generally must receive federal regulatory approvals before we can acquire a bank, bank holding company or certain other financial services businesses depending on the size of the financial services business to be acquired. In deciding whether to approve a proposed acquisition, federal bank regulators will consider, among other factors, the effect of the acquisition on competition and the risk to the stability of the U.S. banking or financial system, our financial condition and future prospects including current and projected capital ratios and levels, the competence, experience, and integrity of management and

record of compliance with laws and regulations, the convenience and needs of the communities to be served, including our record of compliance under the Community Reinvestment Act, and our effectiveness in combating money laundering. As a result of the Dodd-Frank Act and concerns regarding the large size of financial institutions such as Wells Fargo, the regulatory process for approving acquisitions has become more complex and regulatory approvals may be more difficult to obtain. We cannot be certain when or if, or on what terms and conditions, any required regulatory approvals will be granted. We might be required to sell banks, branches and/or business units or assets or issue additional equity as a condition to receiving regulatory approval for an acquisition. In addition, federal law prohibits regulatory approval of any transaction that would create an institution holding more than 10% of total U.S. insured deposits, or of any transaction (whether or not subject to prior approval) that would create a financial company with more than 10% of the liabilities of all financial companies in the U.S. As of September 30, 2014, we believe we already held more than 10% of total U.S. insured deposits. As a result, our size may limit our bank acquisition opportunities in the future.

Difficulty in integrating an acquired company may cause us not to realize expected revenue increases, cost savings, increases in geographic or product presence, and other projected benefits from the acquisition. The integration could result in higher than expected deposit attrition, loss of key team members, disruption of our business or the business of the acquired company, or otherwise harm our ability to retain customers and team members or achieve the anticipated benefits of the acquisition. Time and resources spent on integration may also impair our ability to grow our existing businesses. Also, the negative effect of any divestitures required by regulatory authorities in acquisitions or business combinations may be greater than expected. Many of the foregoing risks may be increased if the acquired company operates internationally or in a geographic location where we do not already have significant business operations and/or team members.

* * *

Any factor described in this Report or in any of our other SEC filings could by itself, or together with other factors, adversely affect our financial results and condition. Refer to our quarterly reports on Form 10-Q filed with the SEC in 2015 for material changes to the above discussion of risk factors. There are factors not discussed above or elsewhere in this Report that could adversely affect our financial results and condition.

Controls and Procedures

Disclosure Controls and Procedures

The Company's management evaluated the effectiveness, as of December 31, 2014, of the Company's disclosure controls and procedures. The Company's chief executive officer and chief financial officer participated in the evaluation. Based on this evaluation, the Company's chief executive officer and chief financial officer concluded that the Company's disclosure controls and procedures were effective as of December 31, 2014.

Internal Control Over Financial Reporting

Internal control over financial reporting is defined in Rule 13a-15(f) promulgated under the Securities Exchange Act of 1934 as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's Board, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles (GAAP) and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. No change occurred during any quarter in 2014 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. Managements' report on internal control over financial reporting is set forth below and should be read with these limitations in mind.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2014, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control - Integrated Framework (1992)*. Based on this assessment, management concluded that as of December 31, 2014, the Company's internal control over financial reporting was effective.

KPMG LLP, the independent registered public accounting firm that audited the Company's financial statements included in this Annual Report, issued an audit report on the Company's internal control over financial reporting. KPMG's audit report appears on the following page.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Wells Fargo & Company:

We have audited Wells Fargo & Company and Subsidiaries' (the Company) internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control – Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control – Integrated Framework (1992)* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of the Company as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2014, and our report dated February 25, 2015, expressed an unqualified opinion on those consolidated financial statements.

San Francisco, California
February 25, 2015

Wells Fargo & Company and Subsidiaries

Consolidated Statement of Income

(in millions, except per share amounts)	Year ended December 31, 2014	2013	2012
Interest income			
Trading assets	**$ 1,685**	1,376	1,358
Investment securities	**8,438**	8,116	8,098
Mortgages held for sale	**767**	1,290	1,825
Loans held for sale	**78**	13	41
Loans	**35,652**	35,571	36,482
Other interest income	**932**	723	587
Total interest income	**47,552**	47,089	48,391
Interest expense			
Deposits	**1,096**	1,337	1,727
Short-term borrowings	**59**	60	79
Long-term debt	**2,488**	2,585	3,110
Other interest expense	**382**	307	245
Total interest expense	**4,025**	4,289	5,161
Net interest income	**43,527**	42,800	43,230
Provision for credit losses	**1,395**	2,309	7,217
Net interest income after provision for credit losses	**42,132**	40,491	36,013
Noninterest income			
Service charges on deposit accounts	**5,050**	5,023	4,683
Trust and investment fees	**14,280**	13,430	11,890
Card fees	**3,431**	3,191	2,838
Other fees	**4,349**	4,340	4,519
Mortgage banking	**6,381**	8,774	11,638
Insurance	**1,655**	1,814	1,850
Net gains from trading activities	**1,161**	1,623	1,707
Net gains (losses) on debt securities (1)	**593**	(29)	(128)
Net gains from equity investments (2)	**2,380**	1,472	1,485
Lease income	**526**	663	567
Other	**1,014**	679	1,807
Total noninterest income	**40,820**	40,980	42,856
Noninterest expense			
Salaries	**15,375**	15,152	14,689
Commission and incentive compensation	**9,970**	9,951	9,504
Employee benefits	**4,597**	5,033	4,611
Equipment	**1,973**	1,984	2,068
Net occupancy	**2,925**	2,895	2,857
Core deposit and other intangibles	**1,370**	1,504	1,674
FDIC and other deposit assessments	**928**	961	1,356
Other	**11,899**	11,362	13,639
Total noninterest expense	**49,037**	48,842	50,398
Income before income tax expense	**33,915**	32,629	28,471
Income tax expense	**10,307**	10,405	9,103
Net income before noncontrolling interests	**23,608**	22,224	19,368
Less: Net income from noncontrolling interests	**551**	346	471
Wells Fargo net income	**$ 23,057**	21,878	18,897
Less: Preferred stock dividends and other	**1,236**	989	898
Wells Fargo net income applicable to common stock	**$ 21,821**	20,889	17,999
Per share information			
Earnings per common share	**$ 4.17**	3.95	3.40
Diluted earnings per common share	**4.10**	3.89	3.36
Dividends declared per common share	**1.35**	1.15	0.88
Average common shares outstanding	**5,237.2**	5,287.3	5,287.6
Diluted average common shares outstanding	**5,324.4**	5,371.2	5,351.5

(1) Total other-than-temporary impairment (OTTI) losses were $18 million, $39 million and $3 million for the year ended December 31, 2014, 2013 and 2012, respectively. Of total OTTI, losses of $49 million, $158 million and $240 million were recognized in earnings, and reversal of losses of $(31) million, $(119) million and $(237) million were recognized as non-credit-related OTTI in other comprehensive income for the year ended December 31, 2014, 2013 and 2012, respectively.
(2) Includes OTTI losses of $273 million, $186 million and $176 million for the year ended December 31, 2014, 2013 and 2012, respectively.

The accompanying notes are an integral part of these statements.

Wells Fargo & Company and Subsidiaries

Consolidated Statement of Comprehensive Income

		Year ended December 31,	
(in millions)	**2014**	2013	2012
Wells Fargo net income	**$ 23,057**	21,878	18,897
Other comprehensive income (loss), before tax:			
Investment securities:			
Net unrealized gains (losses) arising during the period	**5,426**	(7,661)	5,143
Reclassification of net gains to net income	**(1,532)**	(285)	(271)
Derivatives and hedging activities:			
Net unrealized gains (losses) arising during the period	**952**	(32)	52
Reclassification of net gains on cash flow hedges to net income	**(545)**	(296)	(388)
Defined benefit plans adjustments:			
Net actuarial gains (losses) arising during the period	**(1,116)**	1,533	(775)
Amortization of net actuarial loss, settlements and other to net income	**74**	276	144
Foreign currency translation adjustments:			
Net unrealized losses arising during the period	**(60)**	(44)	(6)
Reclassification of net (gains) losses to net income	**6**	(12)	(10)
Other comprehensive income (loss), before tax	**3,205**	(6,521)	3,889
Income tax (expense) benefit related to other comprehensive income	**(1,300)**	2,524	(1,442)
Other comprehensive income (loss), net of tax	**1,905**	(3,997)	2,447
Less: Other comprehensive income (loss) from noncontrolling interests	**(227)**	267	4
Wells Fargo other comprehensive income (loss), net of tax	**2,132**	(4,264)	2,443
Wells Fargo comprehensive income	**25,189**	17,614	21,340
Comprehensive income from noncontrolling interests	**324**	613	475
Total comprehensive income	**$ 25,513**	18,227	21,815

The accompanying notes are an integral part of these statements.

Wells Fargo & Company and Subsidiaries

Consolidated Balance Sheet

(in millions, except shares)		Dec 31, 2014	Dec 31, 2013
Assets			
Cash and due from banks	$	**19,571**	19,919
Federal funds sold, securities purchased under resale agreements and other short-term investments		**258,429**	213,793
Trading assets		**78,255**	62,813
Investment securities:			
Available-for-sale, at fair value		**257,442**	252,007
Held-to-maturity, at cost (fair value $56,359 and $12,247)		**55,483**	12,346
Mortgages held for sale (includes $15,565 and $13,879 carried at fair value) (1)		**19,536**	16,763
Loans held for sale (includes $1 and $1 carried at fair value) (1)		**722**	133
Loans (includes $5,788 and $5,995 carried at fair value) (1)(2)		**862,551**	822,286
Allowance for loan losses		**(12,319)**	(14,502)
Net loans (2)		**850,232**	807,784
Mortgage servicing rights:			
Measured at fair value		**12,738**	15,580
Amortized		**1,242**	1,229
Premises and equipment, net		**8,743**	9,156
Goodwill		**25,705**	25,637
Other assets (includes $2,512 and $1,386 carried at fair value) (1)		**99,057**	86,342
Total assets (2)(3)	$	**1,687,155**	1,523,502
Liabilities			
Noninterest-bearing deposits	$	**321,963**	288,117
Interest-bearing deposits		**846,347**	791,060
Total deposits		**1,168,310**	1,079,177
Short-term borrowings		**63,518**	53,883
Accrued expenses and other liabilities (2)		**86,122**	66,436
Long-term debt		**183,943**	152,998
Total liabilities (2)(4)		**1,501,893**	1,352,494
Equity			
Wells Fargo stockholders' equity:			
Preferred stock		**19,213**	16,267
Common stock – $1-2/3 par value, authorized 9,000,000,000 shares; issued 5,481,811,474 shares and 5,481,811,474 shares		**9,136**	9,136
Additional paid-in capital		**60,537**	60,296
Retained earnings		**107,040**	92,361
Cumulative other comprehensive income		**3,518**	1,386
Treasury stock – 311,462,276 shares and 224,648,769 shares		**(13,690)**	(8,104)
Unearned ESOP shares		**(1,360)**	(1,200)
Total Wells Fargo stockholders' equity		**184,394**	170,142
Noncontrolling interests		**868**	866
Total equity		**185,262**	171,008
Total liabilities and equity (2)	$	**1,687,155**	1,523,502

(1) Parenthetical amounts represent assets and liabilities for which we have elected the fair value option.
(2) Financial information for certain periods prior to 2014 was revised to reflect our determination that certain factoring arrangements did not qualify as loans. See Note 1 (Summary of Significant Accounting Policies) for more information.
(3) Our consolidated assets at December 31, 2014 and December 31, 2013, include the following assets of certain variable interest entities (VIEs) that can only be used to settle the liabilities of those VIEs: Cash and due from banks, $117 million and $165 million; Trading assets, $0 million and $162 million; Investment securities, $875 million and $1.4 billion; Mortgages held for sale, $0 million and $38 million; Net loans, $4.5 billion and $6.1 billion; Other assets, $316 million and $347 million, and Total assets, $5.8 billion and $8.1 billion, respectively.
(4) Our consolidated liabilities at December 31, 2014 and December 31, 2013, include the following VIE liabilities for which the VIE creditors do not have recourse to Wells Fargo: Short-term borrowings, $0 million and $29 million; Accrued expenses and other liabilities, $49 million and $90 million; Long-term debt, $1.6 billion and $2.3 billion; and Total liabilities, $1.7 billion and $2.4 billion, respectively.

The accompanying notes are an integral part of these statements.

Wells Fargo & Company and Subsidiaries

Consolidated Statement of Changes in Equity

	Preferred stock		Common stock	
(in millions, except shares)	*Shares*	Amount	*Shares*	Amount
Balance December 31, 2011	*10,450,690*	$ 11,431	*5,262,611,636*	$ 8,931
Cumulative effect of fair value election for certain residential mortgage servicing rights				
Balance January 1, 2012	*10,450,690*	11,431	*5,262,611,636*	8,931
Net income				
Other comprehensive income, net of tax				
Noncontrolling interests				
Common stock issued			*97,267,538*	162
Common stock repurchased (1)			*(119,586,873)*	
Preferred stock issued to ESOP	*940,000*	940		
Preferred stock released by ESOP				
Preferred stock converted to common shares	*(887,825)*	(888)	*26,021,875*	43
Common stock warrants repurchased				
Preferred stock issued	*56,000*	1,400		
Common stock dividends				
Preferred stock dividends				
Tax benefit from stock incentive compensation				
Stock incentive compensation expense				
Net change in deferred compensation and related plans				
Net change	*108,175*	1,452	*3,702,540*	205
Balance December 31, 2012	*10,558,865*	$ 12,883	*5,266,314,176*	$ 9,136
Balance January 1, 2013	*10,558,865*	12,883	*5,266,314,176*	9,136
Net income				
Other comprehensive loss, net of tax				
Noncontrolling interests				
Common stock issued			*89,392,517*	
Common stock repurchased (1)			*(124,179,383)*	
Preferred stock issued to ESOP	*1,200,000*	1,200		
Preferred stock released by ESOP				
Preferred stock converted to common shares	*(1,005,270)*	(1,006)	*25,635,395*	
Common stock warrants repurchased/exercised				
Preferred stock issued	*127,600*	3,190		
Common stock dividends				
Preferred stock dividends				
Tax benefit from stock incentive compensation				
Stock incentive compensation expense				
Net change in deferred compensation and related plans				
Net change	*322,330*	3,384	*(9,151,471)*	—
Balance December 31, 2013	*10,881,195*	$ 16,267	*5,257,162,705*	$ 9,136

(1) For the year ended December 31, 2012, includes $200 million related to a private forward repurchase transaction entered into in fourth quarter 2012 that settled in first quarter 2013 for 6 million shares of common stock. For the year ended December 31, 2013, includes $500 million related to a private forward repurchase transaction entered into in fourth quarter 2013 that settled in first quarter 2014 for 11.1 million shares of common stock. See Note 1 (Summary of Significant Accounting Policies) for additional information.

The accompanying notes are an integral part of these statements.

(continued on following pages)

Wells Fargo stockholders' equity							
Additional paid-in capital	Retained earnings	Cumulative other comprehensive income	Treasury stock	Unearned ESOP shares	Total Wells Fargo stockholders' equity	Noncontrolling interests	Total equity
55,957	64,385	3,207	(2,744)	(926)	140,241	1,446	141,687
	2				2		2
55,957	64,387	3,207	(2,744)	(926)	140,243	1,446	141,689
	18,897				18,897	471	19,368
		2,443			2,443	4	2,447
(16)					(16)	(564)	(580)
2,326					2,488		2,488
(50)			(3,868)		(3,918)		(3,918)
88				(1,028)	—		—
(80)				968	888		888
845					—		—
(1)					(1)		(1)
(23)					1,377		1,377
55	(4,713)				(4,658)		(4,658)
	(892)				(892)		(892)
230					230		230
560					560		560
(89)			2		(87)		(87)
3,845	13,292	2,443	(3,866)	(60)	17,311	(89)	17,222
59,802	77,679	5,650	(6,610)	(986)	157,554	1,357	158,911
59,802	77,679	5,650	(6,610)	(986)	157,554	1,357	158,911
	21,878				21,878	346	22,224
		(4,264)			(4,264)	267	(3,997)
28					28	(1,104)	(1,076)
(2)	(10)		2,745		2,733		2,733
(300)			(5,056)		(5,356)		(5,356)
108				(1,308)	—		—
(88)				1,094	1,006		1,006
191			815		—		—
					—		—
(45)					3,145		3,145
83	(6,169)				(6,086)		(6,086)
	(1,017)				(1,017)		(1,017)
269					269		269
725					725		725
(475)			2		(473)		(473)
494	14,682	(4,264)	(1,494)	(214)	12,588	(491)	12,097
60,296	92,361	1,386	(8,104)	(1,200)	170,142	866	171,008

(continued from previous pages)

Wells Fargo & Company and Subsidiaries

Consolidated Statement of Changes in Equity

	Preferred stock		Common stock	
(in millions, except shares)	*Shares*	Amount	*Shares*	Amount
Balance December 31, 2013	***10,881,195***	**$ 16,267**	***5,257,162,705***	**$ 9,136**
Balance January 1, 2014	***10,881,195***	**16,267**	***5,257,162,705***	**9,136**
Net income				
Other comprehensive income, net of tax				
Noncontrolling interests				
Common stock issued			***75,340,898***	
Common stock repurchased (1)			***(183,146,803)***	
Preferred stock issued to ESOP	***1,217,000***	**1,217**		
Preferred stock released by ESOP				
Preferred stock converted to common shares	***(1,071,377)***	**(1,071)**	***20,992,398***	
Common stock warrants repurchased/exercised				
Preferred stock issued	***112,000***	**2,800**		
Common stock dividends				
Preferred stock dividends				
Tax benefit from stock incentive compensation				
Stock incentive compensation expense				
Net change in deferred compensation and related plans				
Net change	***257,623***	**2,946**	***(86,813,507)***	**—**
Balance December 31, 2014	***11,138,818***	**$ 19,213**	***5,170,349,198***	**$ 9,136**

(1) For the year ended December 31, 2014, includes $750 million related to a private forward repurchase transaction that settled in first quarter 2015 for 14.3 million shares of common stock. See Note 1 (Summary of Significant Accounting Policies) for additional information.

The accompanying notes are an integral part of these statements.

					Wells Fargo stockholders' equity		
Additional paid-in capital	Retained earnings	Cumulative other comprehensive income	Treasury stock	Unearned ESOP shares	Total Wells Fargo stockholders' equity	Noncontrolling interests	Total equity
60,296	**92,361**	**1,386**	**(8,104)**	**(1,200)**	**170,142**	**866**	**171,008**
60,296	**92,361**	**1,386**	**(8,104)**	**(1,200)**	**170,142**	**866**	**171,008**
	23,057				**23,057**	**551**	**23,608**
		2,132			**2,132**	**(227)**	**1,905**
(7)					**(7)**	**(322)**	**(329)**
(273)			**2,756**		**2,483**		**2,483**
(250)			**(9,164)**		**(9,414)**		**(9,414)**
108				**(1,325)**	**—**		**—**
(94)				**1,165**	**1,071**		**1,071**
251			**820**		**—**		**—**
(9)					**(9)**		**(9)**
(25)					**2,775**		**2,775**
76	**(7,143)**				**(7,067)**		**(7,067)**
	(1,235)				**(1,235)**		**(1,235)**
453					**453**		**453**
858					**858**		**858**
(847)			**2**		**(845)**		**(845)**
241	**14,679**	**2,132**	**(5,586)**	**(160)**	**14,252**	**2**	**14,254**
60,537	**107,040**	**3,518**	**(13,690)**	**(1,360)**	**184,394**	**868**	**185,262**

Wells Fargo & Company and Subsidiaries

Consolidated Statement of Cash Flows

(in millions)		2014	Year ended December 31, 2013	2012
Cash flows from operating activities:				
Net income before noncontrolling interests	$	**23,608**	22,224	19,368
Adjustments to reconcile net income to net cash provided by operating activities:				
Provision for credit losses		**1,395**	2,309	7,217
Changes in fair value of MSRs, MHFS and LHFS carried at fair value		**1,820**	(3,229)	(2,307)
Depreciation, amortization and accretion		**2,515**	3,293	2,807
Other net gains		**(3,760)**	(9,384)	(3,661)
Stock-based compensation		**1,912**	1,920	1,698
Excess tax benefits related to stock incentive compensation		**(453)**	(271)	(226)
Originations of MHFS		**(144,812)**	(317,054)	(483,835)
Proceeds from sales of and principal collected on mortgages originated for sale		**117,097**	311,431	421,623
Originations of LHFS		**—**	—	(15)
Proceeds from sales of and principal collected on LHFS		**207**	575	9,383
Purchases of LHFS		**(154)**	(291)	(7,975)
Net change in:				
Trading assets		**11,186**	43,638	105,440
Deferred income taxes		**2,354**	4,977	(1,297)
Accrued interest receivable		**(372)**	(13)	293
Accrued interest payable		**119**	(32)	(84)
Other assets		**(10,681)**	4,693	2,064
Other accrued expenses and liabilities		**15,548**	(7,145)	(11,953)
Net cash provided by operating activities		**17,529**	57,641	58,540
Cash flows from investing activities:				
Net change in:				
Federal funds sold, securities purchased under resale agreements and other short-term investments		**(41,778)**	(78,184)	(92,946)
Available-for-sale securities:				
Sales proceeds		**6,089**	2,837	5,210
Prepayments and maturities		**37,257**	50,737	59,712
Purchases		**(44,807)**	(89,474)	(64,756)
Held-to-maturity securities:				
Paydowns and maturities		**5,168**	30	—
Purchases		**(47,012)**	(5,782)	—
Nonmarketable equity investments:				
Sales proceeds		**3,161**	2,577	2,279
Purchases		**(3,087)**	(3,273)	(2,619)
Loans:				
Loans originated by banking subsidiaries, net of principal collected		**(65,162)**	(43,744)	(53,381)
Proceeds from sales (including participations) of loans originated for investment		**21,564**	7,694	6,811
Purchases (including participations) of loans		**(6,424)**	(11,563)	(9,040)
Principal collected on nonbank entities' loans		**13,589**	19,955	25,080
Loans originated by nonbank entities		**(13,570)**	(17,311)	(23,555)
Net cash paid for acquisitions		**(174)**	—	(4,322)
Proceeds from sales of foreclosed assets and short sales (1)		**7,697**	11,021	12,690
Net cash from purchases and sales of MSRs		**(150)**	407	116
Other, net		**(741)**	581	(1,169)
Net cash used by investing activities		**(128,380)**	(153,492)	(139,890)
Cash flows from financing activities:				
Net change in:				
Deposits		**89,133**	76,342	82,762
Short-term borrowings		**8,035**	(3,390)	7,699
Long-term debt:				
Proceeds from issuance		**42,154**	53,227	27,695
Repayment		**(15,829)**	(25,423)	(28,093)
Preferred stock:				
Proceeds from issuance		**2,775**	3,145	1,377
Cash dividends paid		**(1,235)**	(1,017)	(892)
Common stock:				
Proceeds from issuance		**1,840**	2,224	2,091
Repurchased		**(9,414)**	(5,356)	(3,918)
Cash dividends paid		**(6,908)**	(5,953)	(4,565)
Common stock warrants repurchased		**—**	—	(1)
Excess tax benefits related to stock incentive compensation		**453**	271	226
Net change in noncontrolling interests		**(552)**	(296)	(611)
Other, net		**51**	136	—
Net cash provided by financing activities		**110,503**	93,910	83,770
Net change in cash due from banks		**(348)**	(1,941)	2,420
Cash and due from banks at beginning of year		**19,919**	21,860	19,440
Cash and due from banks at end of year	$	**19,571**	19,919	21,860
Supplemental cash flow disclosures:				
Cash paid for interest	$	**3,906**	4,321	5,245
Cash paid for income taxes		**8,808**	7,132	8,024

(1) Includes proceeds received for the settlement of claims on certain government guaranteed residential real estate mortgage loans in foreclosure that are reported as accounts receivables. During fourth quarter 2014, we adopted Accounting Standards Update (ASU) 2014-14, *Classification of Certain Government-Guaranteed Mortgage Loans Upon Foreclosure*, effective as of January 1, 2014. This ASU requires that certain government guaranteed residential real estate mortgage loans be recognized as other receivables upon foreclosure; previously, these were included in foreclosed assets.

The accompanying notes are an integral part of these statements. See Note 1 (Summary of Significant Accounting Policies) for noncash activities.

Note 1: Summary of Significant Accounting Policies

Wells Fargo & Company is a diversified financial services company. We provide banking, insurance, trust and investments, mortgage banking, investment banking, retail banking, brokerage, and consumer and commercial finance through banking stores, the internet and other distribution channels to consumers, businesses and institutions in all 50 states, the District of Columbia, and in foreign countries. When we refer to "Wells Fargo," "the Company," "we," "our" or "us," we mean Wells Fargo & Company and Subsidiaries (consolidated). Wells Fargo & Company (the Parent) is a financial holding company and a bank holding company. We also hold a majority interest in a real estate investment trust, which has publicly traded preferred stock outstanding.

Our accounting and reporting policies conform with U.S. generally accepted accounting principles (GAAP) and practices in the financial services industry. To prepare the financial statements in conformity with GAAP, management must make estimates based on assumptions about future economic and market conditions (for example, unemployment, market liquidity, real estate prices, etc.) that affect the reported amounts of assets and liabilities at the date of the financial statements and income and expenses during the reporting period and the related disclosures. Although our estimates contemplate current conditions and how we expect them to change in the future, it is reasonably possible that actual conditions could be worse than anticipated in those estimates, which could materially affect our results of operations and financial condition. Management has made significant estimates in several areas, including allowance for credit losses and purchased credit-impaired (PCI) loans (Note 6 (Loans and Allowance for Credit Losses)), valuations of residential mortgage servicing rights (MSRs) (Note 8 (Securitizations and Variable Interest Entities) and Note 9 (Mortgage Banking Activities)) and financial instruments (Note 17 (Fair Values of Assets and Liabilities)) and income taxes (Note 21 (Income Taxes)). Actual results could differ from those estimates.

Accounting for Certain Factored Loan Receivable Arrangements

The Company determined that certain factoring arrangements previously included within commercial loans, which were recorded with a corresponding obligation in other liabilities, did not qualify as loan purchases under Accounting Standard Codification (ASC) Topic 860 (Transfers and Servicing of Financial Assets) based on interpretations of the specific arrangements. Accordingly, we revised our commercial loan balances for year-end 2012 and each of the quarters in 2013 in order to present the Company's lending trends on a comparable basis over this period. This revision, which resulted in a reduction to total commercial loans and a corresponding decrease to other liabilities, did not impact the Company's consolidated net income or total cash flows. We reduced our commercial loans by $3.5 billion, $3.2 billion, $2.1 billion, $1.6 billion, and $1.2 billion at December 31, September 30, June 30 and March 31, 2013, and December 31, 2012, respectively, which represented less than 1% of total commercial loans and less than 0.5% of our total loan portfolio. We also appropriately revised other affected financial information, including financial guarantees and financial ratios, to reflect this revision.

Accounting Standards Adopted in 2014

In 2014, we adopted the following new accounting guidance:

- Accounting Standards Update (ASU) 2014-17, *Business Combinations (Topic 805): Pushdown Accounting;*
- ASU 2014-14, *Receivables - Troubled Debt Restructurings by Creditors (Subtopic 310-40): Classification of Certain Government-Guaranteed Mortgage Loans Upon Foreclosure;*
- ASU 2014-04, *Receivables - Troubled Debt Restructurings by Creditors (Subtopic 310-40): Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure;*
- ASU 2013-11, *Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists;* and
- ASU 2013-08, *Financial Services - Investment Companies (Topic 946): Amendments to the Scope, Measurement and Disclosure Requirements*.

ASU 2014-17 provides an acquired entity with the option to apply pushdown accounting in its separate financial statements. We adopted the guidance in fourth quarter 2014 with prospective application. This Update did not have a material effect on our consolidated financial statements.

ASU 2014-14 requires certain government-guaranteed mortgage loans to be classified as other receivables upon foreclosure and measured based on the loan balance expected to be recovered from the guarantor. We early adopted this guidance in fourth quarter 2014, effective as of January 1, 2014, through a modified retrospective transition. Our adoption of this Update did not have a material effect on our consolidated financial statements. See Note 7 (Premises, Equipment, Lease Commitments and Other Assets).

ASU 2014-04 clarifies the timing of when a creditor has taken physical possession of residential real estate collateral for a consumer mortgage loan, resulting in the reclassification of the loan receivable to real estate owned. The guidance also requires disclosure of the amount of foreclosed residential real estate property held by the creditor and the recorded investment in residential real estate mortgage loans that are in process of foreclosure. We adopted this guidance in first quarter 2014. This Update did not have a material effect on our consolidated financial statements as this guidance was consistent with our prior practice. See Note 6 (Loans and Allowance for Credit Losses).

ASU 2013-11 provides guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss (NOL) carryforward, a similar tax loss, or a tax credit carryforward exists. We adopted this guidance in first quarter 2014 with prospective application to all existing unrecognized tax benefits at the effective date. This Update did not have a material effect on our consolidated financial statements.

ASU 2013-08 changes the criteria companies use to assess whether an entity is an investment company and requires new disclosures for investment companies. We adopted this guidance

in first quarter 2014. This Update did not have a material effect on our consolidated financial statements.

Consolidation
Our consolidated financial statements include the accounts of the Parent and our majority-owned subsidiaries and variable interest entities (VIEs) (defined below) in which we are the primary beneficiary. Significant intercompany accounts and transactions are eliminated in consolidation. When we have significant influence over operating and financing decisions for a company but do not own a majority of the voting equity interests, we account for the investment using the equity method of accounting, which requires us to recognize our proportionate share of the company's earnings. If we do not have significant influence, we recognize the equity investment at cost except for (1) marketable equity securities, which we recognize at fair value with changes in fair value included in OCI, and (2) nonmarketable equity investments for which we have elected the fair value option. Investments accounted for under the equity or cost method are included in Other Assets.

We are a variable interest holder in certain entities in which equity investors do not have the characteristics of a controlling financial interest or where the entity does not have enough equity at risk to finance its activities without additional subordinated financial support from other parties (referred to as VIEs). Our variable interest arises from contractual, ownership or other monetary interests in the entity, which change with fluctuations in the fair value of the entity's net assets. We consolidate a VIE if we are the primary beneficiary, defined as the party that has both the power to direct the activities that most significantly impact the VIE and a variable interest that potentially could be significant to the VIE. To determine whether or not a variable interest we hold could potentially be significant to the VIE, we consider both qualitative and quantitative factors regarding the nature, size and form of our involvement with the VIE. We assess whether or not we are the primary beneficiary of a VIE on an ongoing basis.

Cash and Due From Banks
Cash and cash equivalents include cash on hand, cash items in transit, and amounts due from the Federal Reserve Bank and other depository institutions.

Trading Assets
Trading assets are predominantly securities, including corporate debt, U.S. government agency obligations and other securities that we acquire for short-term appreciation or other trading purposes, certain loans held for market-making purposes to support the buying and selling demands of our customers and derivatives primarily held for customer accommodation purposes or risk mitigation and hedging. Interest-only strips and other retained interests in securitizations that can be contractually prepaid or otherwise settled in a way that the holder would not recover substantially all of its recorded investment are classified as trading assets. Trading assets are carried at fair value, with changes in fair value recorded in earnings. For securities and loans in trading assets, interest and dividend income are recorded in interest income, and realized and unrealized gains and losses recorded in noninterest income. For other trading assets, including derivatives, the entire change in fair value is recorded in noninterest income.

Investments
Our investments include various debt and marketable equity securities and nonmarketable equity investments. We classify debt and marketable equity securities as available-for-sale or held-to-maturity securities based on our intent to hold to maturity. Our nonmarketable equity investments are reported in Other Assets.

AVAILABLE-FOR-SALE SECURITIES Debt securities that we might not hold until maturity and marketable equity securities are classified as available-for-sale securities and reported at fair value. Unrealized gains and losses, after applicable income taxes, are reported in cumulative OCI.

We conduct other-than-temporary impairment (OTTI) analysis on a quarterly basis or more often if a potential loss-triggering event occurs. The initial indicator of OTTI for both debt and equity securities is a decline in fair value below the amount recorded for an investment and the severity and duration of the decline.

For a debt security for which there has been a decline in the fair value below amortized cost basis, we recognize OTTI if we (1) have the intent to sell the security, (2) it is more likely than not that we will be required to sell the security before recovery of its amortized cost basis, or (3) we do not expect to recover the entire amortized cost basis of the security.

Estimating recovery of the amortized cost basis of a debt security is based upon an assessment of the cash flows expected to be collected. If the present value of cash flows expected to be collected, discounted at the security's effective yield, is less than amortized cost, OTTI is considered to have occurred. In performing an assessment of the cash flows expected to be collected, we consider all relevant information including:

- the length of time and the extent to which the fair value has been less than the amortized cost basis;
- the historical and implied volatility of the fair value of the security;
- the cause of the price decline, such as the general level of interest rates or adverse conditions specifically related to the security, an industry or a geographic area;
- the issuer's financial condition, near-term prospects and ability to service the debt;
- the payment structure of the debt security and the likelihood of the issuer being able to make payments that increase in the future;
- for asset-backed securities, the credit performance of the underlying collateral, including delinquency rates, level of non-performing assets, cumulative losses to date, collateral value and the remaining credit enhancement compared with expected credit losses;
- any change in rating agencies' credit ratings at evaluation date from acquisition date and any likely imminent action;
- independent analyst reports and forecasts, sector credit ratings and other independent market data; and
- recoveries or additional declines in fair value subsequent to the balance sheet date.

If we intend to sell the security, or if it is more likely than not we will be required to sell the security before recovery, an OTTI write-down is recognized in earnings equal to the entire difference between the amortized cost basis and fair value of the security. For debt securities that are considered other-than-temporarily impaired that we do not intend to sell or it is more likely than not that we will not be required to sell before recovery, the OTTI write-down is separated into an amount representing the credit loss, which is recognized in earnings, and

the amount related to all other factors, which is recognized in OCI. The measurement of the credit loss component is equal to the difference between the debt security's amortized cost basis and the present value of its expected future cash flows discounted at the security's effective yield. The remaining difference between the security's fair value and the present value of future expected cash flows is due to factors that are not credit-related and, therefore, is recognized in OCI. We believe that we will fully collect the carrying value of securities on which we have recorded a non-credit-related impairment in OCI.

We hold investments in perpetual preferred securities (PPS) that are structured in equity form, but have many of the characteristics of debt instruments, including periodic cash flows in the form of dividends, call features, ratings that are similar to debt securities and pricing like long-term callable bonds.

Because of the hybrid nature of these securities, we evaluate PPS for OTTI using a model similar to the model we use for debt securities as described above. Among the factors we consider in our evaluation of PPS are whether there is any evidence of deterioration in the credit of the issuer as indicated by a decline in cash flows or a rating agency downgrade to below investment grade and the estimated recovery period. Additionally, in determining if there was evidence of credit deterioration, we evaluate: (1) the severity of decline in market value below cost, (2) the period of time for which the decline in fair value has existed, and (3) the financial condition and near-term prospects of the issuer, including any specific events which may influence the operations of the issuer. We consider PPS to be other-than-temporarily impaired if cash flows expected to be collected are insufficient to recover our investment or if we no longer believe the security will recover within the estimated recovery period. OTTI write-downs of PPS are recognized in earnings equal to the difference between the cost basis and fair value of the security. Based upon the factors considered in our OTTI evaluation, we believe our investments in PPS currently rated investment grade will be fully realized and, accordingly, have not recognized OTTI on such securities.

For marketable equity securities other than PPS, OTTI evaluations focus on whether evidence exists that supports recovery of the unrealized loss within a timeframe consistent with temporary impairment. This evaluation considers the severity of and length of time fair value is below cost, our intent and ability to hold the security until forecasted recovery of the fair value of the security, and the investee's financial condition, capital strength, and near-term prospects.

We recognize realized gains and losses on the sale of investment securities in noninterest income using the specific identification method.

Unamortized premiums and discounts are recognized in interest income over the contractual life of the security using the interest method. As principal repayments are received on securities (i.e., primarily mortgage-backed securities (MBS)) a proportionate amount of the related premium or discount is recognized in income so that the effective interest rate on the remaining portion of the security continues unchanged.

HELD-TO-MATURITY SECURITIES Debt securities for which the Company has the positive intent and ability to hold to maturity are reported at historical cost adjusted for amortization of premiums and accretion of discounts. We recognize OTTI when there is a decline in fair value and we do not expect to recover the entire amortized cost basis of the debt security. The amortized cost is written-down to fair value with the credit loss component recorded to earnings and the remaining component recognized in OCI. The OTTI assessment related to whether we expect recovery of the amortized cost basis and determination of any credit loss component recognized in earnings for held-to-maturity securities is the same as described for available-for-sale securities. Security transfers to the held-to-maturity classification are recorded at fair value. Unrealized gains or losses from the transfer of available-for-sale securities continue to be reported in cumulative OCI and are amortized into earnings over the remaining life of the security using the effective interest method.

NONMARKETABLE EQUITY INVESTMENTS Nonmarketable equity investments include low income housing tax credit investments, equity securities that are not publicly traded and securities acquired for various purposes, such as to meet regulatory requirements (for example, Federal Reserve Bank and Federal Home Loan Bank (FHLB) stock). We have elected the fair value option for some of these investments with the remainder of these investments accounted for under the cost or equity method, which we review at least quarterly for possible OTTI. Our review typically includes an analysis of the facts and circumstances of each investment, the expectations for the investment's cash flows and capital needs, the viability of its business model and our exit strategy. We reduce the asset value when we consider declines in value to be other than temporary. We recognize the estimated loss as a loss from equity investments in noninterest income.

Securities Purchased and Sold Agreements

Securities purchased under resale agreements and securities sold under repurchase agreements are accounted for as collateralized financing transactions and are recorded at the acquisition or sale price plus accrued interest. We monitor the fair value of securities purchased and sold, and obtain collateral from or return it to counterparties when appropriate. These financing transactions do not create material credit risk given the collateral provided and the related monitoring process.

Mortgages and Loans Held for Sale

Mortgages held for sale (MHFS) include commercial and residential mortgages originated for sale and securitization in the secondary market, which is our principal market, or for sale as whole loans. We elect the fair value option for substantially all residential MHFS (see Note 17 (Fair Values of Assets and Liabilities)). The remaining residential MHFS are held at the lower of cost or fair value (LOCOM), and are valued on an aggregate portfolio basis. Commercial MHFS are held at LOCOM and are valued on an individual loan basis.

Loans held for sale (LHFS) are carried at LOCOM. Generally, consumer loans are valued on an aggregate portfolio basis, and commercial loans are valued on an individual loan basis.

Gains and losses on MHFS are recorded in mortgage banking noninterest income. Gains and losses on LHFS are recorded in other noninterest income. Direct loan origination costs and fees for MHFS and LHFS under the fair value option are recognized in income at origination. For MHFS and LHFS recorded at LOCOM, loan costs and fees are deferred at origination and are recognized in income at time of sale. Interest income on MHFS and LHFS is calculated based upon the note rate of the loan and is recorded to interest income.

Our lines of business are authorized to originate held-for-investment loans that meet or exceed established loan product profitability criteria, including minimum positive net interest margin spreads in excess of funding costs. When a determination is made at the time of commitment to originate

loans as held for investment, it is our intent to hold these loans to maturity or for the "foreseeable future," subject to periodic review under our management evaluation processes, including corporate asset/liability management. In determining the "foreseeable future" for loans, management considers (1) the current economic environment and market conditions, (2) our business strategy and current business plans, (3) the nature and type of the loan receivable, including its expected life, and (4) our current financial condition and liquidity demands. If subsequent changes, including changes in interest rates significantly impact the ongoing profitability of certain loan products, we may subsequently change our intent to hold these loans, and we would take actions to sell such loans. Upon such management determination, we immediately transfer these loans to the MHFS or LHFS portfolio at LOCOM.

Loans

Loans are reported at their outstanding principal balances net of any unearned income, cumulative charge-offs, unamortized deferred fees and costs on originated loans and unamortized premiums or discounts on purchased loans. PCI loans are reported net of any remaining purchase accounting adjustments. See the "Purchased Credit-Impaired Loans" section in this Note for our accounting policy for PCI loans.

Unearned income, deferred fees and costs, and discounts and premiums are amortized to interest income over the contractual life of the loan using the interest method. Loan commitment fees are generally deferred and amortized into noninterest income on a straight-line basis over the commitment period.

We have private label and co-brand credit card loans through a program agreement that involves our active participation in the operating activity of the program with a third party. We share in the economic results of the loans subject to this agreement. We consider the program to be a collaborative arrangement and therefore report our share of revenue and losses on a net basis in interest income for loans, other noninterest income and provision for credit losses as applicable. Our net share of revenue from this activity represented less than 1% of our total revenues for 2014.

Loans also include direct financing leases that are recorded at the aggregate of minimum lease payments receivable plus the estimated residual value of the leased property, less unearned income. Leveraged leases, which are a form of direct financing leases, are recorded net of related non-recourse debt. Leasing income is recognized as a constant percentage of outstanding lease financing balances over the lease terms in interest income.

NONACCRUAL AND PAST DUE LOANS We generally place loans on nonaccrual status when:

- the full and timely collection of interest or principal becomes uncertain (generally based on an assessment of the borrower's financial condition and the adequacy of collateral, if any);
- they are 90 days (120 days with respect to real estate 1-4 family first and junior lien mortgages) past due for interest or principal, unless both well-secured and in the process of collection;
- part of the principal balance has been charged off (including loans discharged in bankruptcy);
- for junior lien mortgages, we have evidence that the related first lien mortgage may be 120 days past due or in the process of foreclosure regardless of the junior lien delinquency status; or
- performing consumer loans are discharged in bankruptcy, regardless of their delinquency status.

PCI loans are written down at acquisition to fair value using an estimate of cash flows deemed to be collectible. Accordingly, such loans are no longer classified as nonaccrual even though they may be contractually past due because we expect to fully collect the new carrying values of such loans (that is, the new cost basis arising out of purchase accounting).

When we place a loan on nonaccrual status, we reverse the accrued unpaid interest receivable against interest income and amortization of any net deferred fees is suspended. If the ultimate collectability of the recorded loan balance is in doubt on a nonaccrual loan, the cost recovery method is used and cash collected is applied to first reduce the carrying value of the loan. Otherwise, interest income may be recognized to the extent cash is received. Generally, we return a loan to accrual status when all delinquent interest and principal become current under the terms of the loan agreement and collectability of remaining principal and interest is no longer doubtful.

For modified loans, we re-underwrite at the time of a restructuring to determine if there is sufficient evidence of sustained repayment capacity based on the borrower's financial strength, including documented income, debt to income ratios and other factors. If the borrower has demonstrated performance under the previous terms and the underwriting process shows the capacity to continue to perform under the restructured terms, the loan will generally remain in accruing status. When a loan classified as a troubled debt restructuring (TDR) performs in accordance with its modified terms, the loan either continues to accrue interest (for performing loans) or will return to accrual status after the borrower demonstrates a sustained period of performance (generally six consecutive months of payments, or equivalent, inclusive of consecutive payments made prior to the modification). Loans will be placed on nonaccrual status and a corresponding charge-off is recorded if we believe it is probable that principal and interest contractually due under the modified terms of the agreement will not be collectible.

Our loans are considered past due when contractually required principal or interest payments have not been made on the due dates.

LOAN CHARGE-OFF POLICIES For commercial loans, we generally fully charge off or charge down to net realizable value (fair value of collateral, less estimated costs to sell) for loans secured by collateral when:

- management judges the loan to be uncollectible;
- repayment is deemed to be protracted beyond reasonable time frames;
- the loan has been classified as a loss by either our internal loan review process or our banking regulatory agencies;
- the customer has filed bankruptcy and the loss becomes evident owing to a lack of assets; or
- the loan is 180 days past due unless both well-secured and in the process of collection.

For consumer loans, we fully charge off or charge down to net realizable value when deemed uncollectible due to bankruptcy discharge or other factors, or no later than reaching a defined number of days past due, as follows:

- 1-4 family first and junior lien mortgages – We generally charge down to net realizable value when the loan is 180 days past due.

- Auto loans – We generally fully charge off when the loan is 120 days past due.
- Credit card loans – We generally fully charge off when the loan is 180 days past due.
- Unsecured loans (closed end) – We generally fully charge off when the loan is 120 days past due.
- Unsecured loans (open end) – We generally fully charge off when the loan is 180 days past due.
- Other secured loans – We generally fully or partially charge down to net realizable value when the loan is 120 days past due.

IMPAIRED LOANS We consider a loan to be impaired when, based on current information and events, we determine that we will not be able to collect all amounts due according to the loan contract, including scheduled interest payments. This evaluation is generally based on delinquency information, an assessment of the borrower's financial condition and the adequacy of collateral, if any. Our impaired loans predominantly include loans on nonaccrual status for commercial and industrial, commercial real estate (CRE) and any loans modified in a TDR, on both accrual and nonaccrual status.

When we identify a loan as impaired, we generally measure the impairment, if any, based on the difference between the recorded investment in the loan (net of previous charge-offs, deferred loan fees or costs and unamortized premium or discount) and the present value of expected future cash flows, discounted at the loan's effective interest rate. When the value of an impaired loan is calculated by discounting expected cash flows, interest income is recognized using the loan's effective interest rate over the remaining life of the loan. When collateral is the sole source of repayment for the impaired loan, rather than the borrower's income or other sources of repayment, we charge down to net realizable value.

TROUBLED DEBT RESTRUCTURINGS In situations where, for economic or legal reasons related to a borrower's financial difficulties, we grant a concession for other than an insignificant period of time to the borrower that we would not otherwise consider, the related loan is classified as a TDR. These modified terms may include rate reductions, principal forgiveness, term extensions, payment forbearance and other actions intended to minimize our economic loss and to avoid foreclosure or repossession of the collateral. For modifications where we forgive principal, the entire amount of such principal forgiveness is immediately charged off. Loans classified as TDRs, including loans in trial payment periods (trial modifications), are considered impaired loans. Other than resolutions such as foreclosures, sales and transfers to held-for-sale, we may remove loans held for investment from TDR classification, but only if they have been refinanced or restructured at market terms and qualify as a new loan.

PURCHASED CREDIT-IMPAIRED LOANS Loans acquired with evidence of credit deterioration since their origination and where it is probable that we will not collect all contractually required principal and interest payments are PCI loans. PCI loans are recorded at fair value at the date of acquisition, and the historical allowance for credit losses related to these loans is not carried over. Some loans that otherwise meet the definition as credit-impaired are specifically excluded from the PCI loan portfolios, such as revolving loans where the borrower still has revolving privileges.

Evidence of credit quality deterioration as of the purchase date may include statistics such as past due and nonaccrual status, commercial risk ratings, recent borrower credit scores and recent loan-to-value percentages. Generally, acquired loans that meet our definition for nonaccrual status are considered to be credit-impaired.

Substantially all commercial PCI loans are accounted for as individual loans. Conversely, consumer PCI loans have been aggregated into pools based on common risk characteristics. Each pool is accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows.

Accounting for PCI loans involves estimating fair value, at acquisition, using the principal and interest cash flows expected to be collected discounted at the prevailing market rate of interest. The excess of cash flows expected to be collected over the carrying value (estimated fair value at acquisition date) is referred to as the accretable yield and is recognized in interest income using an effective yield method over the remaining life of the loan, or pool of loans, in situations where there is a reasonable expectation about the timing and amount of cash flows to be collected. The difference between contractually required payments and the cash flows expected to be collected at acquisition, considering the impact of prepayments, is referred to as the nonaccretable difference.

Subsequent to acquisition, we regularly evaluate our estimates of cash flows expected to be collected. If we have probable decreases in cash flows expected to be collected (other than due to decreases in interest rate indices and changes in prepayment assumptions), we charge the provision for credit losses, resulting in an increase to the allowance for loan losses. If we have probable and significant increases in cash flows expected to be collected, we first reverse any previously established allowance for loan losses and then increase interest income as a prospective yield adjustment over the remaining life of the loan, or pool of loans. Estimates of cash flows are impacted by changes in interest rate indices for variable rate loans and prepayment assumptions, both of which are treated as prospective yield adjustments included in interest income.

Resolutions of loans may include sales of loans to third parties, receipt of payments in settlement with the borrower, or foreclosure of the collateral. For individual PCI loans, gains or losses on sales to third parties are included in noninterest income, and gains or losses as a result of a settlement with the borrower are included in interest income. Our policy is to remove an individual loan from a pool based on comparing the amount received from its resolution with its contractual amount. Any difference between these amounts is absorbed by the nonaccretable difference for the entire pool. This removal method assumes that the amount received from resolution approximates pool performance expectations. The remaining accretable yield balance is unaffected and any material change in remaining effective yield caused by this removal method is addressed by our quarterly cash flow evaluation process for each pool. For loans that are resolved by payment in full, there is no release of the nonaccretable difference for the pool because there is no difference between the amount received at resolution and the contractual amount of the loan. Modified PCI loans are not removed from a pool even if those loans would otherwise be deemed TDRs. Modified PCI loans that are accounted for individually are considered TDRs, and removed from PCI accounting if there has been a concession granted in excess of the original nonaccretable difference. We include these TDRs in our impaired loans.

FORECLOSED ASSETS Foreclosed assets obtained through our lending activities primarily include real estate. Generally, loans

have been written down to their net realizable value prior to foreclosure. Any further reduction to their net realizable value is recorded with a charge to the allowance for credit losses at foreclosure. We allow up to 90 days after foreclosure to finalize determination of net realizable value. Thereafter, changes in net realizable value are recorded to noninterest expense. The net realizable value of these assets is reviewed and updated periodically depending on the type of property. See the discussion earlier in this Note about classification changes for certain government-guaranteed loan foreclosures that resulted from our adoption of ASU 2014-14 this year.

ALLOWANCE FOR CREDIT LOSSES (ACL) The allowance for credit losses is management's estimate of credit losses inherent in the loan portfolio, including unfunded credit commitments, at the balance sheet date. We have an established process to determine the appropriateness of the allowance for credit losses that assesses the losses inherent in our portfolio and related unfunded credit commitments. We develop and document our allowance methodology at the portfolio segment level - commercial loan portfolio and consumer loan portfolio. While we attribute portions of the allowance to our respective commercial and consumer portfolio segments, the entire allowance is available to absorb credit losses inherent in the total loan portfolio and unfunded credit commitments.

Our process involves procedures to appropriately consider the unique risk characteristics of our commercial and consumer loan portfolio segments. For each portfolio segment, losses are estimated collectively for groups of loans with similar characteristics, individually or pooled for impaired loans or, for PCI loans, based on the changes in cash flows expected to be collected.

Our allowance levels are influenced by loan volumes, loan grade migration or delinquency status, historic loss experience and other conditions influencing loss expectations, such as economic conditions.

COMMERCIAL PORTFOLIO SEGMENT ACL METHODOLOGY Generally, commercial loans are assessed for estimated losses by grading each loan using various risk factors as identified through periodic reviews. Our estimation approach for the commercial portfolio reflects the estimated probability of default in accordance with the borrower's financial strength, and the severity of loss in the event of default, considering the quality of any underlying collateral. Probability of default and severity at the time of default are statistically derived through historical observations of default and losses after default within each credit risk rating. These estimates are adjusted as appropriate based on additional analysis of long-term average loss experience compared to previously forecasted losses, external loss data or other risks identified from current economic conditions and credit quality trends. The estimated probability of default and severity at the time of default are applied to loan equivalent exposures to estimate losses for unfunded credit commitments.

The allowance also includes an amount for the estimated impairment on nonaccrual commercial loans and commercial loans modified in a TDR, whether on accrual or nonaccrual status.

CONSUMER PORTFOLIO SEGMENT ACL METHODOLOGY For consumer loans that are not identified as a TDR, we determine the allowance predominantly on a collective basis utilizing forecasted losses to represent our best estimate of inherent loss. We pool loans, generally by product types with similar risk characteristics, such as residential real estate mortgages and credit cards. As appropriate and to achieve greater accuracy, we may further stratify selected portfolios by sub-product, origination channel, vintage, loss type, geographic location and other predictive characteristics. Models designed for each pool are utilized to develop the loss estimates. We use assumptions for these pools in our forecast models, such as historic delinquency and default, loss severity, home price trends, unemployment trends, and other key economic variables that may influence the frequency and severity of losses in the pool.

In determining the appropriate allowance attributable to our residential mortgage portfolio, we take into consideration portfolios determined to be at elevated risk, such as junior lien mortgages behind delinquent first lien mortgages and junior lien lines of credit subject to near term significant payment increases. We incorporate the default rates and high severity of loss for these higher risk portfolios, including the impact of our established loan modification programs. When modifications occur or are probable to occur, our allowance considers the impact of these modifications, taking into consideration the associated credit cost, including re-defaults of modified loans and projected loss severity. Accordingly, the loss content associated with the effects of existing and probable loan modifications and higher risk portfolios has been captured in our allowance methodology.

We separately estimate impairment for consumer loans that have been modified in a TDR (including trial modifications), whether on accrual or nonaccrual status.

OTHER ACL MATTERS The allowance for credit losses for both portfolio segments includes an amount for imprecision or uncertainty that may change from period to period. This amount represents management's judgment of risks inherent in the processes and assumptions used in establishing the allowance. This imprecision considers economic environmental factors, modeling assumptions and performance, process risk, and other subjective factors, including industry trends and emerging risk assessments.

Securitizations and Beneficial Interests

In certain asset securitization transactions that meet the applicable criteria to be accounted for as a sale, assets are sold to an entity referred to as an SPE, which then issues beneficial interests in the form of senior and subordinated interests collateralized by the assets. In some cases, we may retain beneficial interests issued by the entity. Additionally, from time to time, we may also re-securitize certain assets in a new securitization transaction.

The assets and liabilities transferred to an SPE are excluded from our consolidated balance sheet if the transfer qualifies as a sale and we are not required to consolidate the SPE.

For transfers of financial assets recorded as sales, we recognize and initially measure at fair value all assets obtained (including beneficial interests) and liabilities incurred. We record a gain or loss in noninterest income for the difference between the carrying amount and the fair value of the assets sold. Fair values are based on quoted market prices, quoted market prices for similar assets, or if market prices are not available, then the fair value is estimated using discounted cash flow analyses with assumptions for credit losses, prepayments and discount rates that are corroborated by and verified against market observable data, where possible. Retained interests and liabilities incurred from securitizations with off-balance sheet entities, including SPEs and VIEs, where we are not the primary beneficiary, are classified as investment securities, trading

account assets, loans, MSRs or other liabilities (including liabilities for mortgage repurchase losses) and are accounted for as described herein.

Mortgage Servicing Rights (MSRs)
We recognize the rights to service mortgage loans for others, or MSRs, as assets whether we purchase the MSRs or the MSRs result from a sale or securitization of loans we originate (asset transfers). We initially record all of our MSRs at fair value. Subsequently, residential loan MSRs are carried at fair value. All of our MSRs related to our commercial mortgage loans are subsequently measured at LOCOM. The valuation and sensitivity of MSRs is discussed further in Note 8 (Securitizations and Variable Interest Entities), Note 9 (Mortgage Banking Activities) and Note 17 (Fair Values of Assets and Liabilities).

For MSRs carried at fair value, changes in fair value are reported in noninterest income in the period in which the change occurs. MSRs subsequently measured at LOCOM are amortized in proportion to, and over the period of, estimated net servicing income. The amortization of MSRs is reported in noninterest income, analyzed monthly and adjusted to reflect changes in prepayment speeds, as well as other factors.

MSRs accounted for at LOCOM are periodically evaluated for impairment based on the fair value of those assets. For purposes of impairment evaluation and measurement, we stratify MSRs based on the predominant risk characteristics of the underlying loans, including investor and product type. If, by individual stratum, the carrying amount of these MSRs exceeds fair value, a valuation allowance is established. The valuation reserve is adjusted as the fair value changes.

Premises and Equipment
Premises and equipment are carried at cost less accumulated depreciation and amortization. Capital leases, where we are the lessee, are included in premises and equipment at the capitalized amount less accumulated amortization.

We primarily use the straight-line method of depreciation and amortization. Estimated useful lives range up to 40 years for buildings, up to 10 years for furniture and equipment, and the shorter of the estimated useful life (up to 8 years) or the lease term for leasehold improvements. We amortize capitalized leased assets on a straight-line basis over the lives of the respective leases.

Goodwill and Identifiable Intangible Assets
Goodwill is recorded in business combinations under the purchase method of accounting when the purchase price is higher than the fair value of net assets, including identifiable intangible assets.

We assess goodwill for impairment at a reporting unit level on an annual basis or more frequently in certain circumstances. We have determined that our reporting units are one level below the operating segments. We have the option of performing a qualitative assessment of goodwill. We may also elect to bypass the qualitative test and proceed directly to a quantitative test. We initially perform a qualitative assessment of goodwill to test for impairment. If, based on our qualitative review, we conclude that more likely than not a reporting unit's fair value is less than its carrying amount, then we complete quantitative steps as described below to determine if there is goodwill impairment. If we conclude that a reporting unit's fair value is not less than its carrying amount, quantitative tests are not required. We assess goodwill for impairment on a reporting unit level and apply various quantitative valuation methodologies when required to compare the estimated fair value to the carrying value of each reporting unit. Valuation methodologies include discounted cash flow and earnings multiple approaches. If the fair value is less than the carrying amount, an additional test is required to measure the amount of impairment. We recognize impairment losses as a charge to noninterest expense (unless related to discontinued operations) and an adjustment to the carrying value of the goodwill asset. Subsequent reversals of goodwill impairment are prohibited.

We amortize core deposit and other customer relationship intangibles on an accelerated basis over useful lives not exceeding 10 years. We review such intangibles for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Impairment is indicated if the sum of undiscounted estimated future net cash flows is less than the carrying value of the asset. Impairment is permanently recognized by writing down the asset to the extent that the carrying value exceeds the estimated fair value.

Operating Lease Assets
Operating lease rental income for leased assets is recognized in other income on a straight-line basis over the lease term. Related depreciation expense is recorded on a straight-line basis over the estimated useful life, considering the estimated residual value of the leased asset. The useful life may be adjusted to the term of the lease depending on our plans for the asset after the lease term. On a periodic basis, leased assets are reviewed for impairment. Impairment loss is recognized if the carrying amount of leased assets exceeds fair value and is not recoverable. The carrying amount of leased assets is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the lease payments and the estimated residual value upon the eventual disposition of the equipment.

Liability for Mortgage Loan Repurchase Losses
In connection with our sales and securitization of residential mortgage loans to various parties, we establish a mortgage repurchase liability, initially at fair value, related to various representations and warranties that reflect management's estimate of losses for loans for which we could have a repurchase obligation, whether or not we currently service those loans, based on a combination of factors. Such factors include default expectations, expected investor repurchase demands (influenced by current and expected mortgage loan file requests and mortgage insurance rescission notices, as well as estimated levels of origination defects) and appeals success rates (where the investor rescinds the demand based on a cure of the defect or acknowledges that the loan satisfies the investor's applicable representations and warranties), reimbursement by correspondent and other third party originators, and projected loss severity. We continually update our mortgage repurchase liability estimate during the life of the loans.

The liability for mortgage loan repurchase losses is included in other liabilities. For additional information on our repurchase liability, see Note 9 (Mortgage Banking Activities).

Pension Accounting
We account for our defined benefit pension plans using an actuarial model. Two principal assumptions in determining net periodic pension cost are the discount rate and the expected long term rate of return on plan assets.

A discount rate is used to estimate the present value of our future pension benefit obligations. We use a consistent methodology to determine the discount rate based upon the yields on multiple portfolios of bonds with maturity dates that closely match the estimated timing and amounts of the expected

benefit payments for our plans. Such portfolios are derived from a broad-based universe of high quality corporate bonds as of the measurement date.

Our determination of the reasonableness of our expected long-term rate of return on plan assets is highly quantitative by nature. We evaluate the current asset allocations and expected returns under two sets of conditions: projected returns using several forward-looking capital market assumptions, and historical returns for the main asset classes dating back to 1970 or the earliest period for which historical data was readily available for the asset classes included. Using long term historical data allows us to capture multiple economic environments, which we believe is relevant when using historical returns. We place greater emphasis on the forward-looking return and risk assumptions than on historical results. We use the resulting projections to derive a base line expected rate of return and risk level for the Cash Balance Plan's prescribed asset mix. We evaluate the portfolio based on: (1) the established target asset allocations over short term (one-year) and longer term (ten-year) investment horizons, and (2) the range of potential outcomes over these horizons within specific standard deviations. We perform the above analyses to assess the reasonableness of our expected long-term rate of return on plan assets. We consider the expected rate of return to be a long-term average view of expected returns. The use of an expected long term rate of return on plan assets may cause us to recognize pension income returns that are greater or less than the actual returns of plan assets in any given year. Differences between expected and actual returns in each year, if any, are included in our net actuarial gain or loss amount, which is recognized in OCI. We generally amortize net actuarial gain or loss in excess of a 5% corridor from accumulated OCI into net periodic pension cost over the estimated average remaining participation period, which at December 31, 2014, is 21 years. See Note 20 (Employee Benefits and Other Expenses) for additional information on our pension accounting.

Income Taxes

We file consolidated and separate company federal income tax returns, foreign tax returns and various combined and separate company state tax returns.

We evaluate two components of income tax expense: current and deferred. Current income tax expense represents our estimated taxes to be paid or refunded for the current period and includes income tax expense related to our uncertain tax positions. We determine deferred income taxes using the balance sheet method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and recognizes enacted changes in tax rates and laws in the period in which they occur. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are recognized subject to management's judgment that realization is "more likely than not." Uncertain tax positions that meet the more likely than not recognition threshold are measured to determine the amount of benefit to recognize. An uncertain tax position is measured at the largest amount of benefit that management believes has a greater than 50% likelihood of realization upon settlement. Tax benefits not meeting our realization criteria represent unrecognized tax benefits. Foreign taxes paid are generally applied as credits to reduce federal income taxes payable. We account for interest and penalties as a component of income tax expense.

Stock-Based Compensation

We have stock-based employee compensation plans as more fully discussed in Note 19 (Common Stock and Stock Plan). Our Long-Term Incentive Compensation Plan provides for awards of incentive and nonqualified stock options, stock appreciation rights, restricted shares, restricted share rights (RSRs), performance share awards (PSAs) and stock awards without restrictions. For most awards, we measure the cost of employee services received in exchange for an award of equity instruments, such as stock options, RSRs or PSAs, based on the fair value of the award on the grant date. The cost is normally recognized in our income statement over the vesting period of the award; awards with graded vesting are expensed on a straight line method. Awards that continue to vest after retirement are expensed over the shorter of the period of time between the grant date and the final vesting period or between the grant date and when a team member becomes retirement eligible; awards to team members who are retirement eligible at the grant date are subject to immediate expensing upon grant.

Beginning in 2013, certain RSRs and all PSAs granted include discretionary performance based vesting conditions and are subject to variable accounting. For these awards, the associated compensation expense fluctuates with changes in our stock price. For PSAs, compensation expense also fluctuates based on the estimated outcome of meeting the performance conditions.

Earnings Per Common Share

We compute earnings per common share by dividing net income (after deducting dividends on preferred stock) by the average number of common shares outstanding during the year. We compute diluted earnings per common share by dividing net income (after deducting dividends and related accretion on preferred stock) by the average number of common shares outstanding during the year, plus the effect of common stock equivalents (for example, stock options, restricted share rights, convertible debentures and warrants) that are dilutive.

Fair Value of Financial Instruments

We use fair value measurements in our fair value disclosures and to record certain assets and liabilities at fair value on a recurring basis, such as trading assets, or on a nonrecurring basis such as measuring impairment on assets carried at amortized cost.

DETERMINATION OF FAIR VALUE We base our fair values on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These fair value measurements are based on exit prices and determined by maximizing the use of observable inputs. However, for certain instruments we must utilize unobservable inputs in determining fair value due to the lack of observable inputs in the market, which requires greater judgment in measuring fair value.

In instances where there is limited or no observable market data, fair value measurements for assets and liabilities are based primarily upon our own estimates or combination of our own estimates and third-party vendor or broker pricing, and the measurements are often calculated based on current pricing for products we offer or issue, the economic and competitive environment, the characteristics of the asset or liability and other such factors. As with any valuation technique used to estimate fair value, changes in underlying assumptions used, including discount rates and estimates of future cash flows, could significantly affect the results of current or future values.

Accordingly, these fair value estimates may not be realized in an actual sale or immediate settlement of the asset or liability.

We incorporate lack of liquidity into our fair value measurement based on the type of asset or liability measured and the valuation methodology used. For example, for certain residential MHFS and certain securities where the significant inputs have become unobservable due to illiquid markets and vendor or broker pricing is not used, we use a discounted cash flow technique to measure fair value. This technique incorporates forecasting of expected cash flows (adjusted for credit loss assumptions and estimated prepayment speeds) discounted at an appropriate market discount rate to reflect the lack of liquidity in the market that a market participant would consider. For other securities where vendor or broker pricing is used, we use either unadjusted broker quotes or vendor prices or vendor or broker prices adjusted by weighting them with internal discounted cash flow techniques to measure fair value. These unadjusted vendor or broker prices inherently reflect any lack of liquidity in the market, as the fair value measurement represents an exit price from a market participant viewpoint.

Where markets are inactive and transactions are not orderly, transaction or quoted prices for assets or liabilities in inactive markets may require adjustment due to the uncertainty of whether the underlying transactions are orderly. For items that use price quotes in inactive markets, we analyze the degree of market inactivity and distressed transactions to determine the appropriate adjustment to the price quotes.

We continually assess the level and volume of market activity in our investment security classes in determining adjustments, if any, to price quotes. Given market conditions can change over time, our determination of which securities markets are considered active or inactive can change. If we determine a market to be inactive, the degree to which price quotes require adjustment, can also change. See Note 17 (Fair Values of Assets and Liabilities) for discussion of the fair value hierarchy and valuation methodologies applied to financial instruments to determine fair value.

Derivatives and Hedging Activities

We recognize all derivatives on the balance sheet at fair value. On the date we enter into a derivative contract, we designate the derivative as (1) a hedge of the fair value of a recognized asset or liability, including hedges of foreign currency exposure ("fair value hedge"), (2) a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow hedge"), or (3) held for trading, customer accommodation or asset/liability risk management purposes, including economic hedges not qualifying for hedge accounting. For a fair value hedge, we record changes in the fair value of the derivative and, to the extent that it is effective, changes in the fair value of the hedged asset or liability attributable to the hedged risk, in current period earnings in the same financial statement category as the hedged item. For a cash flow hedge, we record changes in the fair value of the derivative to the extent that it is effective in OCI, with any ineffectiveness recorded in current period earnings. We subsequently reclassify these changes in fair value to net income in the same period(s) that the hedged transaction affects net income in the same financial statement category as the hedged item. For derivatives not designated as a fair value or cash flow hedge, we report changes in the fair values in current period noninterest income.

For fair value and cash flow hedges qualifying for hedge accounting, we formally document at inception the relationship between hedging instruments and hedged items, our risk management objective, strategy and our evaluation of effectiveness for our hedge transactions. This includes linking all derivatives designated as fair value or cash flow hedges to specific assets and liabilities on the balance sheet or to specific forecasted transactions. Periodically, as required, we also formally assess whether the derivative we designated in each hedging relationship is expected to be and has been highly effective in offsetting changes in fair values or cash flows of the hedged item using the regression analysis method.

We discontinue hedge accounting prospectively when (1) a derivative is no longer highly effective in offsetting changes in the fair value or cash flows of a hedged item, (2) a derivative expires or is sold, terminated or exercised, (3) we elect to discontinue the designation of a derivative as a hedge, or (4) in a cash flow hedge, a derivative is de-designated because it is not probable that a forecasted transaction will occur.

When we discontinue fair value hedge accounting, we no longer adjust the previously hedged asset or liability for changes in fair value, and cumulative adjustments to the hedged item are accounted for in the same manner as other components of the carrying amount of the asset or liability. If the derivative continues to be held after fair value hedge accounting ceases, we carry the derivative on the balance sheet at its fair value with changes in fair value included in earnings.

When we discontinue cash flow hedge accounting and it is not probable that the forecasted transaction will not occur, the accumulated amount reported in OCI at the de-designation date continues to be reported in OCI until the forecasted transaction affects earnings. If cash flow hedge accounting is discontinued and it is probable the forecasted transaction will not occur, the accumulated amount reported in OCI at the de-designation date is immediately recognized in earnings. If the derivative continues to be held after cash flow hedge accounting ceases, we carry the derivative on the balance sheet at its fair value with future changes in fair value included in earnings.

We may purchase or originate financial instruments that contain an embedded derivative. At inception of the financial instrument, we assess (1) if the economic characteristics of the embedded derivative are not clearly and closely related to the economic characteristics of the financial instrument (host contract), (2) if the financial instrument that embodies both the embedded derivative and the host contract is not measured at fair value with changes in fair value reported in earnings, and (3) if a separate instrument with the same terms as the embedded instrument would meet the definition of a derivative. If the embedded derivative meets all of these conditions, we separate it from the host contract by recording the bifurcated derivative at fair value and the remaining host contract at the difference between the basis of the hybrid instrument and the fair value of the bifurcated derivative. The bifurcated derivative is carried at fair value with changes recorded in current period earnings.

By using derivatives, we are exposed to counterparty credit risk, which is the risk that counterparties to the derivative contracts do not perform as expected. If a counterparty fails to perform, our counterparty credit risk is equal to the amount reported as a derivative asset on our balance sheet. The amounts reported as a derivative asset are derivative contracts in a gain position, and to the extent subject to legally enforceable master netting arrangements, net of derivatives in a loss position with the same counterparty and cash collateral received. We minimize counterparty credit risk through credit approvals, limits, monitoring procedures, executing master netting arrangements and obtaining collateral, where appropriate. To the extent derivatives subject to master netting arrangements meet the applicable requirements, including determining the legal

enforceability of the arrangement, it is our policy to present derivatives balances and related cash collateral amounts net on the balance sheet. Counterparty credit risk related to derivatives is considered in determining fair value and our assessment of hedge effectiveness.

Private Share Repurchases

During 2014 and 2013, we repurchased approximately 66 million shares and 40 million shares of our common stock, respectively, under private forward repurchase contracts. We enter into these transactions with unrelated third parties to complement our open-market common stock repurchase strategies, to allow us to manage our share repurchases in a manner consistent with our capital plans, currently submitted under the 2014 Comprehensive Capital Analysis and Review (CCAR), and to provide an economic benefit to the Company.

Our payments to the counterparties for these private share repurchase contracts are recorded in permanent equity in the quarter paid and are not subject to re-measurement. The classification of the up-front payments as permanent equity assures that we have appropriate repurchase timing consistent with our 2014 capital plan, which contemplated a fixed dollar amount available per quarter for share repurchases pursuant to Federal Reserve Board (FRB) supervisory guidance. In return, the counterparty agrees to deliver a variable number of shares based on a per share discount to the volume-weighted average stock price over the contract period. There are no scenarios where the contracts would not either physically settle in shares or allow us to choose the settlement method.

In fourth quarter 2014, we entered into a private forward repurchase contract and paid $750 million to an unrelated third party. This contract settled in first quarter 2015 for 14.3 million shares of common stock. At December 31, 2013, we had a $500 million private forward repurchase contract outstanding that settled in first quarter 2014 for 11.1 million shares of common stock. Our total number of outstanding shares of common stock is not reduced until settlement of the private share repurchase contract.

SUPPLEMENTAL CASH FLOW INFORMATION Noncash activities are presented below, including information on transfers affecting MHFS, LHFS, and MSRs.

	Year ended December 31,		
(in millions)	**2014**	2013	2012
Trading assets retained from securitizations of MHFS	**$ 28,604**	47,198	85,108
Capitalization of MSRs from sale of MHFS	**1,302**	3,616	4,988
Transfers from loans to MHFS	**11,021**	7,610	7,584
Transfers from loans to LHFS	**9,849**	274	143
Transfers from loans to foreclosed and other assets (1)	**4,094**	4,470	6,114
Transfers from available-for-sale to held-to-maturity securities	**1,810**	6,042	—

(1) Includes $2.5 billion, $2.7 billion and $3.5 billion in transfers of government insured/guaranteed loans for the years ended December 31, 2014, 2013 and 2012, respectively. During fourth quarter 2014, we adopted Accounting Standards Update (ASU) 2014-14, *Classification of Certain Government-Guaranteed Mortgage Loans Upon Foreclosure*, effective as of January 1, 2014, resulting in the transfer of these loans to accounts receivables for the year ended December 31, 2014.

SUBSEQUENT EVENTS We have evaluated the effects of events that have occurred subsequent to December 31, 2014, and there have been no material events that would require recognition in our 2014 consolidated financial statements or disclosure in the Notes to the consolidated financial statements.

Note 2: Business Combinations

We regularly explore opportunities to acquire financial services companies and businesses. Generally, we do not make a public announcement about an acquisition opportunity until a definitive agreement has been signed. For information on additional contingent consideration related to acquisitions, which is considered to be a guarantee, see Note 14 (Guarantees, Pledged Assets and Collateral).

During 2014, we completed an acquisition of a railcar and locomotive leasing business with combined total assets of $422 million. We had no pending business combinations as of December 31, 2014. Additionally, no business combinations were completed in 2013. Business combinations completed in 2014 and 2012 are presented below.

(in millions)	Date		Assets
2014			
Helm Financial Corporation	**April 15**	**$**	**422**
2012			
EverKey Global Partners Limited / EverKey Global Management LLC / EverKey Global Partners (GP), LLC / EverKey Global Focus (GP), LLC – Bahamas/New York, New York	January 1	$	7
Burdale Financial Holdings Limited / Certain Assets of Burdale Capital Finance, Inc. – England/Stamford, Connecticut	February 1		874
Energy Lending Business of BNP Paribas, SA – Houston, Texas	April 20		3,639
Merlin Securities, LLC / Merlin Canada LTD. / Certain Assets & Liabilities of Merlin Group Holdings, LLC – San Francisco, California/Toronto, Ontario	August 1		281
		$	4,801

Note 3: Cash, Loan and Dividend Restrictions

Federal Reserve Board (FRB) regulations require that each of our subsidiary banks maintain reserve balances on deposit with the Federal Reserve Banks. The total daily average required reserve balance for all our subsidiary banks was $12.9 billion in 2014 and $11.8 billion in 2013.

Federal law restricts the amount and the terms of both credit and non-credit transactions between a bank and its nonbank affiliates. They may not exceed 10% of the bank's capital and surplus (which for this purpose represents Tier 1 and Tier 2 capital, as calculated under the risk-based capital (RBC) guidelines, plus the balance of the allowance for credit losses excluded from Tier 2 capital) with any single nonbank affiliate and 20% of the bank's capital and surplus with all its nonbank affiliates. Transactions that are extensions of credit may require collateral to be held to provide added security to the bank. For further discussion of RBC, see Note 26 (Regulatory and Agency Capital Requirements) in this Report.

Dividends paid by our subsidiary banks are subject to various federal and state regulatory limitations. Dividends that may be paid by a national bank without the express approval of the Office of the Comptroller of the Currency (OCC) are limited to that bank's retained net profits for the preceding two calendar years plus retained net profits up to the date of any dividend declaration in the current calendar year. Retained net profits, as defined by the OCC, consist of net income less dividends declared during the period.

We also have a state-chartered subsidiary bank that is subject to state regulations that limit dividends. Under these provisions and regulatory limitations, our national and state-chartered subsidiary banks could have declared additional dividends of $15.6 billion at December 31, 2014,without obtaining prior regulatory approval. We have elected to retain capital at our national and state-chartered subsidiary banks to meet internal capital policy minimums and regulatory requirements associated with the implementation of Basel III. Our nonbank subsidiaries are also limited by certain federal and state statutory provisions and regulations covering the amount of dividends that may be paid in any given year. Based on retained earnings at December 31, 2014, our nonbank subsidiaries could have declared additional dividends of $8.6 billion at December 31, 2014, without obtaining prior approval.

The FRB published clarifying supervisory guidance in first quarter 2009, SR 09-4 Applying Supervisory Guidance and Regulations on the Payment of Dividends, Stock Redemptions, and Stock Repurchases at Bank Holding Companies, pertaining to FRB's criteria, assessment and approval process for reductions in capital. The FRB supplemented this guidance with the Capital Plan Rule issued in fourth quarter 2011 (codified at 12 CFR 225.8 of Regulation Y) that establishes capital planning and prior notice and approval requirements for capital distributions including dividends by certain bank holding companies. The effect of this guidance is to require the approval of the FRB (or specifically under the Capital Plan Rule, a notice of non-objection) for the Company to repurchase or redeem common or perpetual preferred stock as well as to raise the per share quarterly dividend from its current level of $0.35 per share as declared by the Company’s Board of Directors on January 27, 2015, payable on March 1, 2015.

Note 4: Federal Funds Sold, Securities Purchased under Resale Agreements and Other Short-Term Investments

The following table provides the detail of federal funds sold, securities purchased under short-term resale agreements (generally less than one year) and other short-term investments. The majority of interest-earning deposits at December 31, 2014 and 2013, were held at the Federal Reserve.

(in millions)		**Dec. 31, 2014**	Dec. 31, 2013
Federal funds sold and securities purchased under resale agreements	**$**	**36,856**	25,801
Interest-earning deposits		**219,220**	186,249
Other short-term investments		**2,353**	1,743
Total	**$**	**258,429**	213,793

As part of maintaining our memberships in certain clearing organizations, we are required to stand ready to provide liquidity meant to sustain market clearing activity in the event unforeseen events occur or are deemed likely to occur. This includes commitments we have entered into to purchase securities under resale agreements from a central clearing organization that, at its option, require us to provide funding under such agreements. We do not have any outstanding amounts funded, and the amount of our unfunded contractual commitment was $2.6 billion and $3.1 billion as of December 31, 2014 and 2013, respectively.

We have classified securities purchased under long-term resale agreements (generally one year or more), which totaled $14.9 billion and $10.1 billion at December 31, 2014 and 2013, respectively, in loans. For additional information on the collateral we receive from other entities under resale agreements and securities borrowings, see the “Offsetting of Resale and Repurchase Agreements and Securities Borrowing and Lending Agreements” section of Note 14 (Guarantees, Pledged Assets and Collateral).

Note 5: Investment Securities

The following table provides the amortized cost and fair value by major categories of available-for-sale securities, which are carried at fair value, and held-to-maturity debt securities, which are carried at amortized cost. The net unrealized gains (losses) for available-for-sale securities are reported on an after-tax basis as a component of cumulative OCI.

(in millions)		Amortized Cost	Gross unrealized gains	Gross unrealized losses	Fair value
December 31, 2014					
Available-for-sale securities:					
Securities of U.S. Treasury and federal agencies	**$**	**25,898**	**44**	**(138)**	**25,804**
Securities of U.S. states and political subdivisions		**43,939**	**1,504**	**(499)**	**44,944**
Mortgage-backed securities:					
Federal agencies		**107,850**	**2,990**	**(751)**	**110,089**
Residential		**8,213**	**1,080**	**(24)**	**9,269**
Commercial		**16,248**	**803**	**(57)**	**16,994**
Total mortgage-backed securities		**132,311**	**4,873**	**(832)**	**136,352**
Corporate debt securities		**14,211**	**745**	**(170)**	**14,786**
Collateralized loan and other debt obligations (1)		**25,137**	**408**	**(184)**	**25,361**
Other (2)		**6,251**	**295**	**(27)**	**6,519**
Total debt securities		**247,747**	**7,869**	**(1,850)**	**253,766**
Marketable equity securities:					
Perpetual preferred securities		**1,622**	**148**	**(70)**	**1,700**
Other marketable equity securities		**284**	**1,694**	**(2)**	**1,976**
Total marketable equity securities		**1,906**	**1,842**	**(72)**	**3,676**
Total available-for-sale securities		**249,653**	**9,711**	**(1,922)**	**257,442**
Held-to-maturity securities:					
Securities of U.S. Treasury and federal agencies		**40,886**	**670**	**(8)**	**41,548**
Securities of U.S. states and political subdivisions		**1,962**	**27**	**—**	**1,989**
Federal agency mortgage-backed securities		**5,476**	**165**	**—**	**5,641**
Collateralized loans and other debt obligations (1)		**1,404**	**—**	**(13)**	**1,391**
Other (2)		**5,755**	**35**	**—**	**5,790**
Total held-to-maturity securities		**55,483**	**897**	**(21)**	**56,359**
Total (3)	**$**	**305,136**	**10,608**	**(1,943)**	**313,801**
December 31, 2013					
Available-for-sale securities:					
Securities of U.S. Treasury and federal agencies	$	6,592	17	(329)	6,280
Securities of U.S. states and political subdivisions		42,171	1,092	(727)	42,536
Mortgage-backed securities:					
Federal agencies		119,303	1,902	(3,614)	117,591
Residential		11,060	1,433	(40)	12,453
Commercial		17,689	1,173	(115)	18,747
Total mortgage-backed securities		148,052	4,508	(3,769)	148,791
Corporate debt securities		20,391	976	(140)	21,227
Collateralized loan and other debt obligations (1)		19,610	642	(93)	20,159
Other (2)		9,232	426	(29)	9,629
Total debt securities		246,048	7,661	(5,087)	248,622
Marketable equity securities:					
Perpetual preferred securities		1,703	222	(60)	1,865
Other marketable equity securities		336	1,188	(4)	1,520
Total marketable equity securities		2,039	1,410	(64)	3,385
Total available-for-sale-securities		248,087	9,071	(5,151)	252,007
Held-to-maturity securities:					
Federal agency mortgage-backed securities		6,304	—	(99)	6,205
Other (2)		6,042	—	—	6,042
Total held-to-maturity securities		12,346	—	(99)	12,247
Total (3)	$	260,433	9,071	(5,250)	264,254

(1) The available-for-sale portfolio includes collateralized debt obligations (CDOs) with a cost basis and fair value of $364 million and $500 million, respectively, at December 31, 2014, and $509 million and $693 million, respectively at December 31, 2013. The held-to-maturity portfolio only includes collateralized loan obligations.

(2) The "Other" category of available-for-sale securities predominantly includes asset-backed securities collateralized by credit cards, student loans, home equity loans and auto leases or loans and cash. Included in the "Other" category of held-to-maturity securities are asset-backed securities collateralized by auto leases or loans and cash with a cost basis and fair value of $3.8 billion each at December 31, 2014, and $4.3 billion each at December 31, 2013. Also included in the "Other" category of held-to-maturity securities are asset-backed securities collateralized by dealer floorplan loans with a cost basis of $1.9 billion and fair value of $2.0 billion at December 31, 2014, and $1.7 billion each at December 31, 2013.

(3) At December 31, 2014 and 2013, we held no securities of any single issuer (excluding the U.S. Treasury and federal agencies) with a book value that exceeded 10% of stockholders' equity.

Gross Unrealized Losses and Fair Value

The following table shows the gross unrealized losses and fair value of securities in the investment securities portfolio by length of time that individual securities in each category had been in a continuous loss position. Debt securities on which we have taken credit-related OTTI write-downs are categorized as being "less than 12 months" or "12 months or more" in a continuous loss position based on the point in time that the fair value declined to below the cost basis and not the period of time since the credit-related OTTI write-down.

	Less than 12 months		12 months or more		Total	
(in millions)	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value
December 31, 2014						
Available-for-sale securities:						
Securities of U.S. Treasury and federal agencies	**$ (16)**	**7,138**	**(122)**	**5,719**	**(138)**	**12,857**
Securities of U.S. states and political subdivisions	**(198)**	**10,228**	**(301)**	**3,725**	**(499)**	**13,953**
Mortgage-backed securities:						
Federal agencies	**(16)**	**1,706**	**(735)**	**37,854**	**(751)**	**39,560**
Residential	**(18)**	**946**	**(6)**	**144**	**(24)**	**1,090**
Commercial	**(9)**	**2,202**	**(48)**	**1,532**	**(57)**	**3,734**
Total mortgage-backed securities	**(43)**	**4,854**	**(789)**	**39,530**	**(832)**	**44,384**
Corporate debt securities	**(102)**	**1,674**	**(68)**	**1,265**	**(170)**	**2,939**
Collateralized loan and other debt obligations	**(99)**	**12,755**	**(85)**	**3,958**	**(184)**	**16,713**
Other	**(23)**	**708**	**(4)**	**277**	**(27)**	**985**
Total debt securities	**(481)**	**37,357**	**(1,369)**	**54,474**	**(1,850)**	**91,831**
Marketable equity securities:						
Perpetual preferred securities	**(2)**	**92**	**(68)**	**633**	**(70)**	**725**
Other marketable equity securities	**(2)**	**41**	**—**	**—**	**(2)**	**41**
Total marketable equity securities	**(4)**	**133**	**(68)**	**633**	**(72)**	**766**
Total available-for-sale securities	**(485)**	**37,490**	**(1,437)**	**55,107**	**(1,922)**	**92,597**
Held-to-maturity securities:						
Securities of U.S. Treasury and federal agencies	**(8)**	**1,889**	**—**	**—**	**(8)**	**1,889**
Collateralized loan and other debt obligations	**(13)**	**1,391**	**—**	**—**	**(13)**	**1,391**
Total held-to-maturity securities	**(21)**	**3,280**	**—**	**—**	**(21)**	**3,280**
Total	**$ (506)**	**40,770**	**(1,437)**	**55,107**	**(1,943)**	**95,877**
December 31, 2013						
Available-for-sale securities:						
Securities of U.S. Treasury and federal agencies	$ (329)	5,786	—	—	(329)	5,786
Securities of U.S. states and political subdivisions	(399)	9,238	(328)	4,120	(727)	13,358
Mortgage-backed securities:						
Federal agencies	(3,562)	67,045	(52)	1,132	(3,614)	68,177
Residential	(18)	1,242	(22)	232	(40)	1,474
Commercial	(15)	2,128	(100)	2,027	(115)	4,155
Total mortgage-backed securities	(3,595)	70,415	(174)	3,391	(3,769)	73,806
Corporate debt securities	(85)	2,542	(55)	428	(140)	2,970
Collateralized loan and other debt obligations	(55)	7,202	(38)	343	(93)	7,545
Other	(11)	1,690	(18)	365	(29)	2,055
Total debt securities	(4,474)	96,873	(613)	8,647	(5,087)	105,520
Marketable equity securities:						
Perpetual preferred securities	(28)	424	(32)	308	(60)	732
Other marketable equity securities	(4)	34	—	—	(4)	34
Total marketable equity securities	(32)	458	(32)	308	(64)	766
Total available-for-sale securities	(4,506)	97,331	(645)	8,955	(5,151)	106,286
Held-to-maturity securities:						
Federal agency mortgage-backed securities	(99)	6,153	—	—	(99)	6,153
Total held-to-maturity securities	(99)	6,153	—	—	(99)	6,153
Total	$ (4,605)	103,484	(645)	8,955	(5,250)	112,439

Note 5: Investment Securities *(continued)*

We have assessed each security with gross unrealized losses included in the previous table for credit impairment. As part of that assessment we evaluated and concluded that we do not intend to sell any of the securities and that it is more likely than not that we will not be required to sell prior to recovery of the amortized cost basis. For debt securities, we evaluate, where necessary, whether credit impairment exists by comparing the present value of the expected cash flows to the securities' amortized cost basis. For equity securities, we consider numerous factors in determining whether impairment exists, including our intent and ability to hold the securities for a period of time sufficient to recover the cost basis of the securities.

For complete descriptions of the factors we consider when analyzing securities for impairment, see Note 1 (Summary of Significant Accounting Policies) and below.

SECURITIES OF U.S. TREASURY AND FEDERAL AGENCIES AND FEDERAL AGENCY MORTGAGE-BACKED SECURITIES (MBS) The unrealized losses associated with U.S. Treasury and federal agency securities and federal agency MBS are primarily driven by changes in interest rates and not due to credit losses given the explicit or implicit guarantees provided by the U.S. government.

SECURITIES OF U.S. STATES AND POLITICAL SUBDIVISIONS The unrealized losses associated with securities of U.S. states and political subdivisions are primarily driven by changes in the relationship between municipal and term funding credit curves rather than by changes to the credit quality of the underlying securities. Substantially all of these investments are investment grade. The securities were generally underwritten in accordance with our own investment standards prior to the decision to purchase. Some of these securities are guaranteed by a bond insurer, but we did not rely on this guarantee when making our investment decision. These investments will continue to be monitored as part of our ongoing impairment analysis but are expected to perform, even if the rating agencies reduce the credit rating of the bond insurers. As a result, we expect to recover the entire amortized cost basis of these securities.

RESIDENTIAL AND COMMERCIAL MBS The unrealized losses associated with private residential MBS and commercial MBS are primarily driven by changes in projected collateral losses, credit spreads and interest rates. We assess for credit impairment by estimating the present value of expected cash flows. The key assumptions for determining expected cash flows include default rates, loss severities and/or prepayment rates. We estimate losses to a security by forecasting the underlying mortgage loans in each transaction. We use forecasted loan performance to project cash flows to the various tranches in the structure. We also consider cash flow forecasts and, as applicable, independent industry analyst reports and forecasts, sector credit ratings, and other independent market data. Based upon our assessment of the expected credit losses and the credit enhancement level of the securities, we expect to recover the entire amortized cost basis of these securities.

CORPORATE DEBT SECURITIES The unrealized losses associated with corporate debt securities are primarily related to unsecured debt obligations issued by various corporations. We evaluate the financial performance of each issuer on a quarterly basis to determine if the issuer can make all contractual principal and interest payments. Based upon this assessment, we expect to recover the entire amortized cost basis of these securities.

COLLATERALIZED LOAN AND OTHER DEBT OBLIGATIONS The unrealized losses associated with collateralized loan and other debt obligations relate to securities primarily backed by commercial, residential or other consumer collateral. The unrealized losses are primarily driven by changes in projected collateral losses, credit spreads and interest rates. We assess for credit impairment by estimating the present value of expected cash flows. The key assumptions for determining expected cash flows include default rates, loss severities and prepayment rates. We also consider cash flow forecasts and, as applicable, independent industry analyst reports and forecasts, sector credit ratings, and other independent market data. Based upon our assessment of the expected credit losses and the credit enhancement level of the securities, we expect to recover the entire amortized cost basis of these securities.

OTHER DEBT SECURITIES The unrealized losses associated with other debt securities predominantly relate to other asset-backed securities. The losses are primarily driven by changes in projected collateral losses, credit spreads and interest rates. We assess for credit impairment by estimating the present value of expected cash flows. The key assumptions for determining expected cash flows include default rates, loss severities and prepayment rates. Based upon our assessment of the expected credit losses and the credit enhancement level of the securities, we expect to recover the entire amortized cost basis of these securities.

MARKETABLE EQUITY SECURITIES Our marketable equity securities include investments in perpetual preferred securities, which provide attractive tax-equivalent yields. We evaluate these hybrid financial instruments with investment-grade ratings for impairment using an evaluation methodology similar to that used for debt securities. Perpetual preferred securities are not considered to be other-than-temporarily impaired if there is no evidence of credit deterioration or investment rating downgrades of any issuers to below investment grade, and we expect to continue to receive full contractual payments. We will continue to evaluate the prospects for these securities for recovery in their market value in accordance with our policy for estimating OTTI. We have recorded impairment write-downs on perpetual preferred securities where there was evidence of credit deterioration.

OTHER INVESTMENT SECURITIES MATTERS The fair values of our investment securities could decline in the future if the underlying performance of the collateral for the residential and commercial MBS or other securities deteriorate, and our credit enhancement levels do not provide sufficient protection to our contractual principal and interest. As a result, there is a risk that significant OTTI may occur in the future.

The following table shows the gross unrealized losses and fair value of debt and perpetual preferred investment securities by those rated investment grade and those rated less than investment grade according to their lowest credit rating by Standard & Poor's Rating Services (S&P) or Moody's Investors Service (Moody's). Credit ratings express opinions about the credit quality of a security. Securities rated investment grade, that is those rated BBB- or higher by S&P or Baa3 or higher by Moody's, are generally considered by the rating agencies and market participants to be low credit risk. Conversely, securities rated below investment grade, labeled as "speculative grade" by the rating agencies, are considered to be distinctively higher credit risk than investment grade securities. We have also included securities not rated by S&P or Moody's in the table below based on our internal credit grade of the securities (used for credit risk management purposes) equivalent to the credit rating assigned by major credit agencies. The unrealized losses and fair value of unrated securities categorized as investment grade based on internal credit grades were $25 million and $1.6 billion, respectively, at December 31, 2014, and $18 million and $1.9 billion, respectively, at December 31, 2013. If an internal credit grade was not assigned, we categorized the security as non-investment grade.

	Investment grade		Non-investment grade	
(in millions)	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value
December 31, 2014				
Available-for-sale securities:				
Securities of U.S. Treasury and federal agencies	**$ (138)**	**12,857**	**—**	**—**
Securities of U.S. states and political subdivisions	**(459)**	**13,600**	**(40)**	**353**
Mortgage-backed securities:				
Federal agencies	**(751)**	**39,560**	**—**	**—**
Residential	**—**	**139**	**(24)**	**951**
Commercial	**(24)**	**3,366**	**(33)**	**368**
Total mortgage-backed securities	**(775)**	**43,065**	**(57)**	**1,319**
Corporate debt securities	**(39)**	**1,807**	**(131)**	**1,132**
Collateralized loan and other debt obligations	**(172)**	**16,609**	**(12)**	**104**
Other	**(23)**	**782**	**(4)**	**203**
Total debt securities	**(1,606)**	**88,720**	**(244)**	**3,111**
Perpetual preferred securities	**(70)**	**725**	**—**	**—**
Total available-for-sale securities	**(1,676)**	**89,445**	**(244)**	**3,111**
Held-to-maturity securities:				
Securities of U.S. Treasury and federal agencies	**(8)**	**1,889**	**—**	**—**
Collateralized loan and other debt obligations	**(13)**	**1,391**	**—**	**—**
Total held-to-maturity securities	**(21)**	**3,280**	**—**	**—**
Total	**$ (1,697)**	**92,725**	**(244)**	**3,111**
December 31, 2013				
Available-for-sale securities:				
Securities of U.S. Treasury and federal agencies	$ (329)	5,786	—	—
Securities of U.S. states and political subdivisions	(671)	12,915	(56)	443
Mortgage-backed securities:				
Federal agencies	(3,614)	68,177	—	—
Residential	(2)	177	(38)	1,297
Commercial	(46)	3,364	(69)	791
Total mortgage-backed securities	(3,662)	71,718	(107)	2,088
Corporate debt securities	(96)	2,343	(44)	627
Collateralized loan and other debt obligations	(72)	7,376	(21)	169
Other	(19)	1,874	(10)	181
Total debt securities	(4,849)	102,012	(238)	3,508
Perpetual preferred securities	(60)	732	—	—
Total available-for-sale securities	(4,909)	102,744	(238)	3,508
Held-to-maturity securities:				
Federal agency mortgage-backed securities	(99)	6,153	—	—
Total held-to-maturity securities	(99)	6,153	—	—
Total	$ (5,008)	108,897	(238)	3,508

Contractual Maturities

The following table shows the remaining contractual maturities and contractual weighted-average yields (taxable-equivalent basis) of available-for-sale debt securities. The remaining contractual principal maturities for MBS do not consider prepayments. Remaining expected maturities will differ from contractual maturities because borrowers may have the right to prepay obligations before the underlying mortgages mature.

			Remaining contractual maturity							
					After one year		After five years			
	Total		Within one year		through five years		through ten years		After ten years	
(in millions)	amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
December 31, 2014										
Available-for-sale securities (1):										
Securities of U.S. Treasury and federal agencies	**$ 25,804**	**1.49%**	**$ 181**	**1.47%**	**$ 22,348**	**1.44%**	**$ 3,275**	**1.83%**	**$ —**	**—%**
Securities of U.S. states and political subdivisions	**44,944**	**5.66**	**3,568**	**1.71**	**7,050**	**2.19**	**3,235**	**5.13**	**31,091**	**6.96**
Mortgage-backed securities:										
Federal agencies	**110,089**	**3.27**	**—**	**—**	**276**	**2.86**	**1,011**	**3.38**	**108,802**	**3.27**
Residential	**9,269**	**4.50**	**—**	**—**	**9**	**4.81**	**83**	**5.63**	**9,177**	**4.49**
Commercial	**16,994**	**5.16**	**1**	**0.28**	**62**	**2.71**	**5**	**1.30**	**16,926**	**5.17**
Total mortgage-backed securities	**136,352**	**3.59**	**1**	**0.28**	**347**	**2.88**	**1,099**	**3.54**	**134,905**	**3.59**
Corporate debt securities	**14,786**	**4.90**	**600**	**4.32**	**7,634**	**4.54**	**5,209**	**5.30**	**1,343**	**5.70**
Collateralized loan and other debt obligations	**25,361**	**1.83**	**23**	**1.95**	**944**	**0.71**	**8,472**	**1.67**	**15,922**	**1.99**
Other	**6,519**	**1.79**	**274**	**1.55**	**1,452**	**2.56**	**1,020**	**1.32**	**3,773**	**1.64**
Total available-for-sale debt securities at fair value	**$ 253,766**	**3.60%**	**$ 4,647**	**2.03%**	**$ 39,775**	**2.20%**	**$ 22,310**	**3.12%**	**$187,034**	**3.99%**
December 31, 2013										
Available-for-sale securities (1):										
Securities of U.S. Treasury and federal agencies	$ 6,280	1.66 %	$ 86	0.54 %	$ 701	1.45 %	$ 5,493	1.71 %	$ —	— %
Securities of U.S. states and political subdivisions	42,536	5.30	4,915	1.84	7,901	2.19	3,151	5.19	26,569	6.89
Mortgage-backed securities:										
Federal agencies	117,591	3.33	1	7.14	398	2.71	956	3.46	116,236	3.33
Residential	12,453	4.31	—	—	—	—	113	5.43	12,340	4.30
Commercial	18,747	5.24	—	—	52	3.33	59	0.96	18,636	5.26
Total mortgage-backed securities	148,791	3.65	1	7.14	450	2.78	1,128	3.52	147,212	3.66
Corporate debt securities	21,227	4.18	6,136	2.06	7,255	4.22	6,528	5.80	1,308	5.77
Collateralized loan and other debt obligations	20,159	1.59	40	0.25	1,100	0.63	7,750	1.29	11,269	1.89
Other	9,629	1.80	906	2.53	2,977	1.74	1,243	1.64	4,503	1.73
Total available-for-sale debt securities at fair value	$ 248,622	3.69 %	$ 12,084	1.99 %	$ 20,384	2.75 %	$ 25,293	3.14 %	$ 190,861	3.97 %

(1) Weighted-average yields displayed by maturity bucket are weighted based on fair value and predominantly represent contractual coupon rates without effect for any related hedging derivatives.

The following table shows the amortized cost and weighted-average yields of held-to-maturity debt securities by contractual maturity.

			Remaining contractual maturity							
					After one year		After five years			
	Total		Within one year		through five years		through ten years		After ten years	
(in millions)	amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
December 31, 2014										
Held-to-maturity securities (1):										
Amortized cost:										
Securities of U.S. Treasury and federal agencies	**$ 40,886**	**2.12%**	**$ —**	**—%**	**$ —**	**—%**	**$ 40,886**	**2.12%**	**$ —**	**—%**
Securities of U.S. states and political subdivisions	**1,962**	**5.60**	**—**	**—**	**—**	**—**	**9**	**6.60**	**1,953**	**5.59**
Federal agency mortgage-backed securities	**5,476**	**3.89**	**—**	**—**	**—**	**—**	**—**	**—**	**5,476**	**3.89**
Collateralized loan and other debt obligations	**1,404**	**1.96**	**—**	**—**	**—**	**—**	**—**	**—**	**1,404**	**1.96**
Other	**5,755**	**1.64**	**192**	**1.61**	**4,214**	**1.72**	**1,349**	**1.41**	**—**	**—**
Total held-to-maturity debt securities at amortized cost	**$ 55,483**	**2.37%**	**$ 192**	**1.61%**	**$ 4,214**	**1.72%**	**$ 42,244**	**2.10%**	**$ 8,833**	**3.96%**
December 31, 2013										
Held-to-maturity securities (1):										
Amortized cost:										
Federal agency mortgage-backed securities	$ 6,304	3.90 %	$ —	— %	$ —	— %	$ —	— %	$ 6,304	3.90 %
Other	6,042	1.89	195	1.72	4,468	1.87	1,379	1.98	—	—
Total held-to-maturity debt securities at amortized cost	$ 12,346	2.92 %	$ 195	1.72 %	$ 4,468	1.87 %	$ 1,379	1.98 %	$ 6,304	3.90 %

(1) Weighted-average yields displayed by maturity bucket are weighted based on amortized cost and predominantly represent contractual coupon rates.

The following table shows the fair value of held-to-maturity debt securities by contractual maturity.

		Remaining contractual maturity			
			After one year	After five years	
	Total	Within one year	through five years	through ten years	After ten years
(in millions)	amount	Amount	Amount	Amount	Amount
December 31, 2014					
Held-to-maturity securities:					
Fair value:					
Securities of U.S. Treasury and federal agencies	**$ 41,548**	**$ —**	**$ —**	**$ 41,548**	**$ —**
Securities of U.S. states and political subdivisions	**1,989**	**—**	**—**	**9**	**1,980**
Federal agency mortgage-backed securities	**5,641**	**—**	**—**	**—**	**5,641**
Collateralized loan and other debt obligations	**1,391**	**—**	**—**	**—**	**1,391**
Other	**5,790**	**193**	**4,239**	**1,358**	**—**
Total held-to-maturity debt securities at fair value	**$ 56,359**	**$ 193**	**$ 4,239**	**$ 42,915**	**$ 9,012**
December 31, 2013					
Held-to-maturity securities:					
Fair Value:					
Federal agency mortgage-backed securities	$ 6,205	$ —	$ —	$ —	$ 6,205
Other	6,042	195	4,468	1,379	—
Total held-to-maturity debt securities at fair value	$ 12,247	$ 195	$ 4,468	$ 1,379	$ 6,205

Realized Gains and Losses

The following table shows the gross realized gains and losses on sales and OTTI write-downs related to the available-for-sale securities portfolio, which includes marketable equity securities, as well as net realized gains and losses on nonmarketable equity investments (see Note 7 (Premises, Equipment, Lease Commitments and Other Assets)).

	Year ended December 31,		
(in millions)	**2014**	2013	2012
Gross realized gains	**$ 1,560**	492	600
Gross realized losses	**(14)**	(24)	(73)
OTTI write-downs	**(52)**	(183)	(256)
Net realized gains from available-for-sale securities	**1,494**	285	271
Net realized gains from nonmarketable equity investments	**1,479**	1,158	1,086
Net realized gains from debt securities and equity investments	**$ 2,973**	1,443	1,357

Other-Than-Temporary Impairment

The following table shows the detail of total OTTI write-downs included in earnings for available-for-sale debt securities, marketable equity securities and nonmarketable equity investments. There were no OTTI write-downs on held-to-maturity securities during the years ended December 31, 2014 and 2013. There were no held-to-maturity securities in our investment securities portfolio for the year ended December 31, 2012.

	Year ended December 31,		
(in millions)	**2014**	2013	2012
OTTI write-downs included in earnings			
Debt securities:			
Securities of U.S. states and political subdivisions	**$ 11**	2	16
Mortgage-backed securities:			
Federal agencies	**—**	1	—
Residential	**26**	72	84
Commercial	**9**	53	86
Corporate debt securities	**1**	4	11
Collateralized loan and other debt obligations	**2**	—	1
Other debt securities	**—**	26	42
Total debt securities	**49**	158	240
Equity securities:			
Marketable equity securities:			
Perpetual preferred securities	**—**	—	12
Other marketable equity securities	**3**	25	4
Total marketable equity securities	**3**	25	16
Total investment securities	**52**	183	256
Nonmarketable equity investments	**270**	161	160
Total OTTI write-downs included in earnings	**$ 322**	344	416

Other-Than-Temporarily Impaired Debt Securities
The following table shows the detail of OTTI write-downs on available-for-sale debt securities included in earnings and the related changes in OCI for the same securities.

	Year ended December 31,		
(in millions)	**2014**	2013	2012
OTTI on debt securities			
Recorded as part of gross realized losses:			
Credit-related OTTI	**$ 40**	107	237
Intent-to-sell OTTI	**9**	51	3
Total recorded as part of gross realized losses	**49**	158	240
Changes to OCI for losses (reversal of losses) in non-credit-related OTTI (1):			
Securities of U.S. states and political subdivisions	**—**	(2)	1
Residential mortgage-backed securities	**(10)**	(27)	(178)
Commercial mortgage-backed securities	**(21)**	(90)	(88)
Corporate debt securities	**—**	—	1
Collateralized loan and other debt obligations	**—**	(1)	(1)
Other debt securities	**—**	1	28
Total changes to OCI for non-credit-related OTTI	**(31)**	(119)	(237)
Total OTTI losses recorded on debt securities	**$ 18**	39	3

(1) Represents amounts recorded to OCI for impairment, due to factors other than credit, on debt securities that have also had credit-related OTTI write-downs during the period. Increases represent initial or subsequent non-credit-related OTTI on debt securities. Decreases represent partial to full reversal of impairment due to recoveries in the fair value of securities due to non-credit factors.

The following table presents a rollforward of the OTTI credit loss that has been recognized in earnings as a write-down of available-for-sale debt securities we still own (referred to as "credit-impaired" debt securities) and do not intend to sell.

Recognized credit loss represents the difference between the present value of expected future cash flows discounted using the security's current effective interest rate and the amortized cost basis of the security prior to considering credit loss.

	Year ended December 31,		
(in millions)	**2014**	2013	2012
Credit loss recognized, beginning of year	**$ 1,171**	1,289	1,272
Additions:			
For securities with initial credit impairments	**5**	21	55
For securities with previous credit impairments	**35**	86	182
Total additions	**40**	107	237
Reductions:			
For securities sold, matured, or intended/required to be sold	**(169)**	(194)	(194)
For recoveries of previous credit impairments (1)	**(17)**	(31)	(26)
Total reductions	**(186)**	(225)	(220)
Credit loss recognized, end of year	**$ 1,025**	1,171	1,289

(1) Recoveries of previous credit impairments result from increases in expected cash flows subsequent to credit loss recognition. Such recoveries are reflected prospectively as interest yield adjustments using the effective interest method.

Note 6: Loans and Allowance for Credit Losses

The following table presents total loans outstanding by portfolio segment and class of financing receivable. Outstanding balances include a total net reduction of $4.5 billion and $6.4 billion at December 31, 2014 and December 31, 2013, respectively, for unearned income, net deferred loan fees, and unamortized discounts and premiums.

					December 31,
(in millions)	**2014**	2013	2012	2011	2010
Commercial:					
Commercial and industrial	**$ 271,795**	235,358	223,703	205,824	182,059
Real estate mortgage	**111,996**	112,427	106,392	106,028	99,490
Real estate construction	**18,728**	16,934	16,983	19,470	25,371
Lease financing	**12,307**	12,371	12,736	13,387	13,386
Total commercial	**414,826**	377,090	359,814	344,709	320,306
Consumer:					
Real estate 1-4 family first mortgage	**265,386**	258,507	249,912	229,408	231,113
Real estate 1-4 family junior lien mortgage	**59,717**	65,950	75,503	86,041	96,205
Credit card	**31,119**	26,882	24,651	22,905	22,384
Automobile	**55,740**	50,808	45,998	43,508	43,754
Other revolving credit and installment	**35,763**	43,049	42,473	43,060	43,505
Total consumer	**447,725**	445,196	438,537	424,922	436,961
Total loans	**$ 862,551**	822,286	798,351	769,631	757,267

Our foreign loans are reported by respective class of financing receivable in the table above. Substantially all of our foreign loan portfolio is commercial loans. Loans are classified as foreign primarily based on whether the borrower's primary address is outside of the United States. The following table presents total commercial foreign loans outstanding by class of financing receivable.

					December 31,
(in millions)	**2014**	2013	2012	2011	2010
Commercial foreign loans:					
Commercial and industrial	**$ 44,707**	41,547	37,148	38,609	30,775
Real estate mortgage	**4,776**	5,328	52	53	55
Real estate construction	**218**	187	79	88	39
Lease financing	**336**	338	312	269	292
Total commercial foreign loans	**$ 50,037**	47,400	37,591	39,019	31,161

Loan Concentrations

Loan concentrations may exist when there are amounts loaned to borrowers engaged in similar activities or similar types of loans extended to a diverse group of borrowers that would cause them to be similarly impacted by economic or other conditions. At December 31, 2014 and 2013, we did not have concentrations representing 10% or more of our total loan portfolio in domestic commercial and industrial loans and lease financing by industry or CRE loans (real estate mortgage and real estate construction) by state or property type. Our real estate 1-4 family mortgage loans to borrowers in the state of California represented approximately 13% of total loans at both December 31, 2014 and 2013, of which 2% were PCI loans in both years. These California loans are generally diversified among the larger metropolitan areas in California, with no single area consisting of more than 4% of total loans. We continuously monitor changes in real estate values and underlying economic or market conditions for all geographic areas of our real estate 1-4 family mortgage portfolio as part of our credit risk management process.

Some of our real estate 1-4 family first and junior lien mortgage loans include an interest-only feature as part of the loan terms. These interest-only loans were approximately 12% of total loans at December 31, 2014, and 15% at December 31, 2013. Substantially all of these interest-only loans at origination were considered to be prime or near prime. We do not offer option adjustable-rate mortgage (ARM) products, nor do we offer variable-rate mortgage products with fixed payment amounts, commonly referred to within the financial services industry as negative amortizing mortgage loans. We acquired an option payment loan portfolio (Pick-a-Pay) from Wachovia at December 31, 2008. A majority of the portfolio was identified as PCI loans. Since the acquisition, we have reduced our exposure to the option payment portion of the portfolio through our modification efforts and loss mitigation actions. At December 31, 2014, approximately 2% of total loans remained with the payment option feature compared with 10% at December 31, 2008.

Our first and junior lien lines of credit products generally have a draw period of 10 years (with some up to 15 or 20 years) with variable interest rate and payment options during the draw period of (1) interest only or (2) 1.5% of total outstanding balance plus accrued interest. During the draw period, the borrower has the option of converting all or a portion of the line from a variable interest rate to a fixed rate with terms including interest-only payments for a fixed period between three to seven years or a fully amortizing payment with a fixed period between five to 30 years. At the end of the draw period, a line of credit generally converts to an amortizing payment schedule with repayment terms of up to 30 years based on the balance at time of conversion. At December 31, 2014, our lines of credit portfolio had an outstanding balance of $69.7 billion, of which $6.2 billion, or 9%, is in its amortization period, another $13.3 billion, or 19%, of our total outstanding balance, will reach their end of draw period during 2015 through 2016, $14.2 billion, or 20%, during 2017 through 2019, and $36.0 billion, or 52%, will convert in subsequent years. This portfolio had unfunded credit commitments of $70.1 billion at December 31, 2014. The lines that enter their amortization period may experience higher delinquencies and higher loss rates than the ones in their draw period. At December 31, 2014, $425 million, or 7%, of outstanding lines of credit that are in their amortization period were 30 or more days past due, compared with $1.3 billion, or 2%, for lines in their draw period. We have considered this increased inherent risk in our allowance for credit loss estimate. In anticipation of our borrowers reaching the end of their contractual commitment, we have created a program to inform, educate and help these borrowers transition from interest-only to fully-amortizing payments or full repayment. We monitor the performance of the borrowers moving through the program in an effort to refine our ongoing program strategy.

Loan Purchases, Sales, and Transfers

The following table summarizes the proceeds paid or received for purchases and sales of loans and transfers from loans held for investment to mortgages/loans held for sale at lower of cost or fair value. This loan activity primarily includes loans purchased and sales of whole loan or participating interests, whereby we receive or transfer a portion of a loan after origination. The table excludes PCI loans and loans recorded at fair value, including loans originated for sale because their loan activity normally does not impact the allowance for credit losses.

	Year ended December 31,					
			2014			2013
(in millions)	**Commercial**	**Consumer**	**Total**	Commercial	Consumer	Total
Purchases (1)	**$ 4,952**	**1,365**	**6,317**	10,914	581	11,495
Sales	**(1,706)**	**(152)**	**(1,858)**	(6,740)	(514)	(7,254)
Transfers to MHFS/LHFS (1)	**(99)**	**(9,778)**	**(9,877)**	(258)	(11)	(269)

(1) The "Purchases" and "Transfers to MHFS/LHFS" categories exclude activity in government insured/guaranteed real estate 1-4 family first mortgage loans. As servicer, we are able to buy delinquent insured/guaranteed loans out of the Government National Mortgage Association (GNMA) pools. These loans have different risk characteristics from the rest of our consumer portfolio, whereby this activity does not impact the allowance for loan losses in the same manner because the loans are predominantly insured by the Federal Housing Administration (FHA) or guaranteed by the Department of Veterans Affairs (VA). Such purchases net of transfers to MHFS were $2.9 billion and $8.2 billion for the year ended 2014 and 2013, respectively.

Commitments to Lend

A commitment to lend is a legally binding agreement to lend funds to a customer, usually at a stated interest rate, if funded, and for specific purposes and time periods. We generally require a fee to extend such commitments. Certain commitments are subject to loan agreements with covenants regarding the financial performance of the customer or borrowing base formulas on an ongoing basis that must be met before we are required to fund the commitment. We may reduce or cancel consumer commitments, including home equity lines and credit card lines, in accordance with the contracts and applicable law.

We may, as a representative for other lenders, advance funds or provide for the issuance of letters of credit under syndicated loan or letter of credit agreements. Any advances are generally repaid in less than a week and would normally require default of both the customer and another lender to expose us to loss. These temporary advance arrangements totaled approximately $87 billion at both December 31, 2014, and December 31, 2013.

We issue commercial letters of credit to assist customers in purchasing goods or services, typically for international trade. At both December 31, 2014 and 2013, we had $1.2 billion of outstanding issued commercial letters of credit. We also originate multipurpose lending commitments under which borrowers have the option to draw on the facility for different purposes in one of several forms, including a standby letter of credit. See Note 14 (Guarantees, Pledged Assets and Collateral) for additional information on standby letters of credit.

When we make commitments, we are exposed to credit risk. The maximum credit risk for these commitments will generally be lower than the contractual amount because a significant portion of these commitments are expected to expire without being used by the customer. In addition, we manage the potential risk in commitments to lend by limiting the total amount of commitments, both by individual customer and in total, by monitoring the size and maturity structure of these commitments and by applying the same credit standards for these commitments as for all of our credit activities.

For loans and commitments to lend, we may require collateral or a guarantee. We may require various types of collateral, including commercial and consumer real estate, automobiles, other short-term liquid assets such as accounts receivable or inventory and long-lived asset, such as equipment and other business assets. Collateral requirements for each loan or commitment may vary based on the loan product and our assessment of a customer's credit risk according to the specific credit underwriting, including terms and structure.

The contractual amount of our unfunded credit commitments, including unissued standby and commercial letters of credit, is summarized by portfolio segment and class of financing receivable in the following table. The table excludes standby and commercial letters of credit issued under the terms of our commitments and temporary advance commitments on behalf of other lenders.

(in millions)		**Dec 31, 2014**	Dec 31, 2013
Commercial:			
Commercial and industrial	**$**	**278,093**	250,986
Real estate mortgage		**6,134**	5,993
Real estate construction		**15,587**	12,612
Lease financing		**3**	—
Total commercial		**299,817**	269,591
Consumer:			
Real estate 1-4 family first mortgage		**32,055**	32,908
Real estate 1-4 family junior lien mortgage		**45,492**	47,667
Credit card		**95,062**	79,049
Other revolving credit and installment		**24,816**	24,216
Total consumer		**197,425**	183,840
Total unfunded credit commitments	**$**	**497,242**	453,431

Allowance for Credit Losses

The allowance for credit losses consists of the allowance for loan losses and the allowance for unfunded credit commitments. Changes in the allowance for credit losses were:

				Year ended December 31,	
(in millions)	**2014**	2013	2012	2011	2010
Balance, beginning of year	**$ 14,971**	17,477	19,668	23,463	25,031
Provision for credit losses	**1,395**	2,309	7,217	7,899	15,753
Interest income on certain impaired loans (1)	**(211)**	(264)	(315)	(332)	(266)
Loan charge-offs:					
Commercial:					
Commercial and industrial	**(627)**	(739)	(1,404)	(1,681)	(2,820)
Real estate mortgage	**(66)**	(190)	(382)	(636)	(1,152)
Real estate construction	**(9)**	(28)	(191)	(351)	(1,189)
Lease financing	**(15)**	(34)	(24)	(41)	(124)
Total commercial	**(717)**	(991)	(2,001)	(2,709)	(5,285)
Consumer:					
Real estate 1-4 family first mortgage	**(721)**	(1,439)	(3,020)	(3,896)	(4,916)
Real estate 1-4 family junior lien mortgage	**(864)**	(1,579)	(3,437)	(3,765)	(4,936)
Credit card	**(1,025)**	(1,022)	(1,105)	(1,458)	(2,415)
Automobile	**(729)**	(625)	(651)	(797)	(1,295)
Other revolving credit and installment	**(668)**	(754)	(759)	(990)	(1,253)
Total consumer	**(4,007)**	(5,419)	(8,972)	(10,906)	(14,815)
Total loan charge-offs	**(4,724)**	(6,410)	(10,973)	(13,615)	(20,100)
Loan recoveries:					
Commercial:					
Commercial and industrial	**369**	396	472	426	442
Real estate mortgage	**160**	226	163	143	68
Real estate construction	**136**	137	124	146	110
Lease financing	**8**	17	20	25	21
Total commercial	**673**	776	779	740	641
Consumer:					
Real estate 1-4 family first mortgage	**212**	246	157	405	523
Real estate 1-4 family junior lien mortgage	**238**	269	260	218	211
Credit card	**161**	127	188	257	224
Automobile	**349**	322	364	449	509
Other revolving credit and installment	**146**	161	191	247	239
Total consumer	**1,106**	1,125	1,160	1,576	1,706
Total loan recoveries	**1,779**	1,901	1,939	2,316	2,347
Net loan charge-offs (2)	**(2,945)**	(4,509)	(9,034)	(11,299)	(17,753)
Allowances related to business combinations/other (3)	**(41)**	(42)	(59)	(63)	698
Balance, end of year	**$ 13,169**	14,971	17,477	19,668	23,463
Components:					
Allowance for loan losses	**$ 12,319**	14,502	17,060	19,372	23,022
Allowance for unfunded credit commitments	**850**	469	417	296	441
Allowance for credit losses (4)	**$ 13,169**	14,971	17,477	19,668	23,463
Net loan charge-offs as a percentage of average total loans (2)	**0.35%**	0.56	1.17	1.49	2.30
Allowance for loan losses as a percentage of total loans (4)	**1.43**	1.76	2.13	2.52	3.04
Allowance for credit losses as a percentage of total loans (4)	**1.53**	1.82	2.19	2.56	3.10

(1) Certain impaired loans with an allowance calculated by discounting expected cash flows using the loan's effective interest rate over the remaining life of the loan recognize reductions in the allowance as interest income.
(2) For PCI loans, charge-offs are only recorded to the extent that losses exceed the purchase accounting estimates.
(3) Includes $693 million for the year ended December 31, 2010, related to the adoption of consolidation accounting guidance on January 1, 2010.
(4) The allowance for credit losses includes $11 million, $30 million, $117 million, $231 million and $298 million at December 31, 2014, 2013, 2012, 2011, and 2010, respectively, related to PCI loans acquired from Wachovia. Loans acquired from Wachovia are included in total loans net of related purchase accounting net write-downs.

Note 6: Loans and Allowance for Credit Losses *(continued)*

The following table summarizes the activity in the allowance for credit losses by our commercial and consumer portfolio segments.

				Year ended December 31,		
			2014			2013
(in millions)	Commercial	Consumer	Total	Commercial	Consumer	Total
Balance, beginning of period	**$ 6,103**	**8,868**	**14,971**	5,714	11,763	17,477
Provision for credit losses	**342**	**1,053**	**1,395**	680	1,629	2,309
Interest income on certain impaired loans	**(20)**	**(191)**	**(211)**	(54)	(210)	(264)
Loan charge-offs	**(717)**	**(4,007)**	**(4,724)**	(991)	(5,419)	(6,410)
Loan recoveries	**673**	**1,106**	**1,779**	776	1,125	1,901
Net loan charge-offs	**(44)**	**(2,901)**	**(2,945)**	(215)	(4,294)	(4,509)
Allowance related to business combinations/other	**(4)**	**(37)**	**(41)**	(22)	(20)	(42)
Balance, end of period	**$ 6,377**	**6,792**	**13,169**	6,103	8,868	14,971

The following table disaggregates our allowance for credit losses and recorded investment in loans by impairment methodology.

	Allowance for credit losses			Recorded investment in loans		
(in millions)	Commercial	Consumer	Total	Commercial	Consumer	Total
December 31, 2014						
Collectively evaluated (1)	**$ 5,482**	**3,706**	**9,188**	**409,560**	**404,263**	**813,823**
Individually evaluated (2)	**884**	**3,086**	**3,970**	**3,759**	**21,649**	**25,408**
PCI (3)	**11**	**—**	**11**	**1,507**	**21,813**	**23,320**
Total	**$ 6,377**	**6,792**	**13,169**	**414,826**	**447,725**	**862,551**
December 31, 2013						
Collectively evaluated (1)	$ 4,921	5,011	9,932	369,252	398,237	767,489
Individually evaluated (2)	1,156	3,853	5,009	5,334	22,736	28,070
PCI (3)	26	4	30	2,504	24,223	26,727
Total	$ 6,103	8,868	14,971	377,090	445,196	822,286

(1) Represents loans collectively evaluated for impairment in accordance with Accounting Standards Codification (ASC) 450-20, *Loss Contingencies* (formerly FAS 5), and pursuant to amendments by ASU 2010-20 regarding allowance for non-impaired loans.
(2) Represents loans individually evaluated for impairment in accordance with ASC 310-10, *Receivables* (formerly FAS 114), and pursuant to amendments by ASU 2010-20 regarding allowance for impaired loans.
(3) Represents the allowance and related loan carrying value determined in accordance with ASC 310-30, *Receivables – Loans and Debt Securities Acquired with Deteriorated Credit Quality* (formerly SOP 3-3) and pursuant to amendments by ASU 2010-20 regarding allowance for PCI loans.

Credit Quality

We monitor credit quality by evaluating various attributes and utilize such information in our evaluation of the appropriateness of the allowance for credit losses. The following sections provide the credit quality indicators we most closely monitor. The credit quality indicators are generally based on information as of our financial statement date, with the exception of updated Fair Isaac Corporation (FICO) scores and updated loan-to-value (LTV)/combined LTV (CLTV), which are obtained at least quarterly. Generally, these indicators are updated in the second month of each quarter, with updates no older than September 30, 2014. See the "Purchased Credit-Impaired Loans" section of this Note for credit quality information on our PCI portfolio.

COMMERCIAL CREDIT QUALITY INDICATORS In addition to monitoring commercial loan concentration risk, we manage a consistent process for assessing commercial loan credit quality. Generally, commercial loans are subject to individual risk assessment using our internal borrower and collateral quality ratings. Our ratings are aligned to Pass and Criticized categories. The Criticized category includes Special Mention, Substandard, and Doubtful categories which are defined by bank regulatory agencies.

The following table provides a breakdown of outstanding commercial loans by risk category. Of the $8.3 billion in criticized commercial real estate (CRE) loans at December 31, 2014, $1.7 billion has been placed on nonaccrual status and written down to net realizable collateral value. CRE loans have a high level of monitoring in place to manage these assets and mitigate loss exposure.

(in millions)	Commercial and industrial	Real estate mortgage	Real estate construction	Lease financing	Total
December 31, 2014					
By risk category:					
Pass	**$ 255,611**	**103,319**	**17,661**	**11,723**	**388,314**
Criticized	**16,109**	**7,416**	**896**	**584**	**25,005**
Total commercial loans (excluding PCI)	**271,720**	**110,735**	**18,557**	**12,307**	**413,319**
Total commercial PCI loans (carrying value)	**75**	**1,261**	**171**	**—**	**1,507**
Total commercial loans	**$ 271,795**	**111,996**	**18,728**	**12,307**	**414,826**
December 31, 2013					
By risk category:					
Pass	$ 218,231	98,984	14,669	11,894	343,778
Criticized	16,912	11,587	1,832	477	30,808
Total commercial loans (excluding PCI)	235,143	110,571	16,501	12,371	374,586
Total commercial PCI loans (carrying value)	215	1,856	433	—	2,504
Total commercial loans	$ 235,358	112,427	16,934	12,371	377,090

The following table provides past due information for commercial loans, which we monitor as part of our credit risk management practices.

(in millions)	Commercial and industrial	Real estate mortgage	Real estate construction	Lease financing	Total
December 31, 2014					
By delinquency status:					
Current-29 DPD and still accruing	**$ 270,624**	**109,032**	**18,345**	**12,251**	**410,252**
30-89 DPD and still accruing	**527**	**197**	**25**	**32**	**781**
90+ DPD and still accruing	**31**	**16**	**—**	**—**	**47**
Nonaccrual loans	**538**	**1,490**	**187**	**24**	**2,239**
Total commercial loans (excluding PCI)	**271,720**	**110,735**	**18,557**	**12,307**	**413,319**
Total commercial PCI loans (carrying value)	**75**	**1,261**	**171**	**—**	**1,507**
Total commercial loans	**$ 271,795**	**111,996**	**18,728**	**12,307**	**414,826**
December 31, 2013					
By delinquency status:					
Current-29 DPD and still accruing	$ 234,012	107,744	15,885	12,308	369,949
30-89 DPD and still accruing	345	538	103	33	1,019
90+ DPD and still accruing	11	35	97	—	143
Nonaccrual loans	775	2,254	416	30	3,475
Total commercial loans (excluding PCI)	235,143	110,571	16,501	12,371	374,586
Total commercial PCI loans (carrying value)	215	1,856	433	—	2,504
Total commercial loans	$ 235,358	112,427	16,934	12,371	377,090

CONSUMER CREDIT QUALITY INDICATORS We have various classes of consumer loans that present unique risks. Loan delinquency, FICO credit scores and LTV for loan types are common credit quality indicators that we monitor and utilize in our evaluation of the appropriateness of the allowance for credit losses for the consumer portfolio segment.

Many of our loss estimation techniques used for the allowance for credit losses rely on delinquency-based models; therefore, delinquency is an important indicator of credit quality and the establishment of our allowance for credit losses. The following table provides the outstanding balances of our consumer portfolio by delinquency status.

(in millions)	Real estate 1-4 family first mortgage	Real estate 1-4 family junior lien mortgage	Credit card	Automobile	Other revolving credit and installment	Total
December 31, 2014						
By delinquency status:						
Current-29 DPD	**$ 208,642**	**58,182**	**30,356**	**54,365**	**35,356**	**386,901**
30-59 DPD	**2,415**	**398**	**239**	**1,056**	**180**	**4,288**
60-89 DPD	**993**	**220**	**160**	**235**	**111**	**1,719**
90-119 DPD	**488**	**158**	**136**	**78**	**82**	**942**
120-179 DPD	**610**	**194**	**227**	**5**	**21**	**1,057**
180+ DPD	**4,258**	**464**	**1**	**1**	**13**	**4,737**
Government insured/guaranteed loans (1)	**26,268**	**—**	**—**	**—**	**—**	**26,268**
Total consumer loans (excluding PCI)	**243,674**	**59,616**	**31,119**	**55,740**	**35,763**	**425,912**
Total consumer PCI loans (carrying value)	**21,712**	**101**	**—**	**—**	**—**	**21,813**
Total consumer loans	**$ 265,386**	**59,717**	**31,119**	**55,740**	**35,763**	**447,725**
December 31, 2013						
By delinquency status:						
Current-29 DPD	$ 193,371	64,230	26,218	49,699	31,944	365,462
30-59 DPD	2,784	461	201	852	179	4,477
60-89 DPD	1,157	253	143	186	111	1,850
90-119 DPD	587	182	124	66	76	1,035
120-179 DPD	747	216	195	4	20	1,182
180+ DPD	5,024	485	1	1	7	5,518
Government insured/guaranteed loans (1)	30,737	—	—	—	10,712	41,449
Total consumer loans (excluding PCI)	234,407	65,827	26,882	50,808	43,049	420,973
Total consumer PCI loans (carrying value)	24,100	123	—	—	—	24,223
Total consumer loans	$ 258,507	65,950	26,882	50,808	43,049	445,196

(1) Represents loans whose repayments are predominantly insured by the FHA or guaranteed by the VA and student loans whose repayments are predominantly guaranteed by agencies on behalf of the U.S. Department of Education under the Federal Family Education Loan Program (FFELP). Loans insured/guaranteed by the FHA/VA and 90+ DPD totaled $16.2 billion at December 31, 2014, compared with $20.8 billion at December 31, 2013. On June 30, 2014, we transferred all government guaranteed student loans to loans held for sale. Student loans 90+ DPD totaled $900 million at December 31, 2013.

Of the $6.7 billion of consumer loans not government insured/guaranteed that are 90 days or more past due at December 31, 2014, $873 million was accruing, compared with $7.7 billion past due and $902 million accruing at December 31, 2013.

Real estate 1-4 family first mortgage loans 180 days or more past due totaled $4.3 billion, or 1.7% of total first mortgages (excluding PCI), at December 31, 2014, compared with $5.0 billion, or 2.1%, at December 31, 2013.

The following table provides a breakdown of our consumer portfolio by updated FICO. We obtain FICO scores at loan origination and the scores are updated at least quarterly. The majority of our portfolio is underwritten with a FICO score of 680 and above. FICO is not available for certain loan types and may not be obtained if we deem it unnecessary due to strong collateral and other borrower attributes, primarily security-based loans of $5.9 billion at December 31, 2014, and $5.0 billion at December 31, 2013.

(in millions)	Real estate 1-4 family first mortgage	Real estate 1-4 family junior lien mortgage	Credit card	Automobile	Other revolving credit and installment	Total
December 31, 2014						
By updated FICO:						
< 600	**$ 11,166**	**4,001**	**2,639**	**8,825**	**894**	**27,525**
600-639	**7,866**	**2,794**	**2,588**	**6,236**	**1,058**	**20,542**
640-679	**13,894**	**5,324**	**4,931**	**9,352**	**2,366**	**35,867**
680-719	**24,412**	**8,970**	**6,285**	**9,994**	**4,389**	**54,050**
720-759	**35,490**	**12,171**	**6,407**	**7,475**	**5,896**	**67,439**
760-799	**82,123**	**17,897**	**5,234**	**7,315**	**7,673**	**120,242**
800+	**39,219**	**7,581**	**2,758**	**6,184**	**5,819**	**61,561**
No FICO available	**3,236**	**878**	**277**	**359**	**1,814**	**6,564**
FICO not required	**—**	**—**	**—**	**—**	**5,854**	**5,854**
Government insured/guaranteed loans (1)	**26,268**	**—**	**—**	**—**	**—**	**26,268**
Total consumer loans (excluding PCI)	**243,674**	**59,616**	**31,119**	**55,740**	**35,763**	**425,912**
Total consumer PCI loans (carrying value)	**21,712**	**101**	**—**	**—**	**—**	**21,813**
Total consumer loans	**$ 265,386**	**59,717**	**31,119**	**55,740**	**35,763**	**447,725**
December 31, 2013						
By updated FICO:						
< 600	$ 14,128	5,047	2,404	8,400	956	30,935
600-639	9,029	3,247	2,175	5,925	1,015	21,391
640-679	14,918	5,985	4,176	8,827	2,158	36,064
680-719	24,336	10,043	5,398	8,992	3,917	52,686
720-759	32,991	13,581	5,530	6,546	5,264	63,912
760-799	72,062	19,238	4,535	6,313	6,836	108,984
800+	33,310	7,707	2,409	5,397	5,130	53,953
No FICO available	2,896	979	255	408	2,054	6,592
FICO not required	—	—	—	—	5,007	5,007
Government insured/guaranteed loans (1)	30,737	—	—	—	10,712	41,449
Total consumer loans (excluding PCI)	234,407	65,827	26,882	50,808	43,049	420,973
Total consumer PCI loans (carrying value)	24,100	123	—	—	—	24,223
Total consumer loans	$ 258,507	65,950	26,882	50,808	43,049	445,196

(1) Represents loans whose repayments are predominantly insured by the FHA or guaranteed by the VA and student loans whose repayments are predominantly guaranteed by agencies on behalf of the U.S. Department of Education under FFELP.

LTV refers to the ratio comparing the loan's unpaid principal balance to the property's collateral value. CLTV refers to the combination of first mortgage and junior lien mortgage (including unused line amounts for credit line products) ratios. LTVs and CLTVs are updated quarterly using a cascade approach which first uses values provided by automated valuation models (AVMs) for the property. If an AVM is not available, then the value is estimated using the original appraised value adjusted by the change in Home Price Index (HPI) for the property location. If an HPI is not available, the original appraised value is used. The HPI value is normally the only method considered for high value properties, generally with an original value of $1 million or more, as the AVM values have proven less accurate for these properties.

The following table shows the most updated LTV and CLTV distribution of the real estate 1-4 family first and junior lien mortgage loan portfolios. We consider the trends in residential real estate markets as we monitor credit risk and establish our allowance for credit losses. In the event of a default, any loss should be limited to the portion of the loan amount in excess of the net realizable value of the underlying real estate collateral value. Certain loans do not have an LTV or CLTV primarily due to industry data availability and portfolios acquired from or serviced by other institutions.

(in millions)	December 31, 2014 Real estate 1-4 family first mortgage by LTV	Real estate 1-4 family junior lien mortgage by CLTV	Total	December 31, 2013 Real estate 1-4 family first mortgage by LTV	Real estate 1-4 family junior lien mortgage by CLTV	Total
By LTV/CLTV:						
0-60%	**$ 95,719**	**15,603**	**111,322**	74,047	13,645	87,692
60.01-80%	**86,112**	**17,651**	**103,763**	80,187	17,154	97,341
80.01-100%	**25,170**	**14,004**	**39,174**	30,842	16,273	47,115
100.01-120% (1)	**6,133**	**7,254**	**13,387**	10,678	9,992	20,670
> 120% (1)	**2,856**	**4,058**	**6,914**	6,306	7,369	13,675
No LTV/CLTV available	**1,416**	**1,046**	**2,462**	1,610	1,394	3,004
Government insured/guaranteed loans (2)	**26,268**	**—**	**26,268**	30,737	—	30,737
Total consumer loans (excluding PCI)	**243,674**	**59,616**	**303,290**	234,407	65,827	300,234
Total consumer PCI loans (carrying value)	**21,712**	**101**	**21,813**	24,100	123	24,223
Total consumer loans	**$ 265,386**	**59,717**	**325,103**	258,507	65,950	324,457

(1) Reflects total loan balances with LTV/CLTV amounts in excess of 100%. In the event of default, the loss content would generally be limited to only the amount in excess of 100% LTV/CLTV.
(2) Represents loans whose repayments are predominantly insured by the FHA or guaranteed by the VA.

NONACCRUAL LOANS The following table provides loans on nonaccrual status. PCI loans are excluded from this table because they continue to earn interest from accretable yield, independent of performance in accordance with their contractual terms.

(in millions)	Dec 31, 2014	Dec 31, 2013
Commercial:		
Commercial and industrial	**$ 538**	775
Real estate mortgage	**1,490**	2,254
Real estate construction	**187**	416
Lease financing	**24**	30
Total commercial (1)	**2,239**	3,475
Consumer:		
Real estate 1-4 family first mortgage (2)	**8,583**	9,799
Real estate 1-4 family junior lien mortgage	**1,848**	2,188
Automobile	**137**	173
Other revolving credit and installment	**41**	33
Total consumer	**10,609**	12,193
Total nonaccrual loans (excluding PCI)	**$ 12,848**	15,668

(1) Includes LHFS of $1 million at December 31, 2014 and December 31, 2013.
(2) Includes MHFS of $177 million and $227 million at December 31, 2014, and December 31, 2013, respectively.

LOANS IN PROCESS OF FORECLOSURE Our recorded investment in consumer mortgage loans collateralized by residential real estate property that are in process of foreclosure was $12.7 billion and $17.3 billion at December 31, 2014 and December 31, 2013, respectively, which included $6.6 billion and $10.0 billion, respectively, of loans that are government insured/guaranteed. We commence the foreclosure process on consumer real estate loans when a borrower becomes 120 days delinquent in accordance with Consumer Finance Protection Bureau Guidelines. Foreclosure procedures and timelines vary depending on whether the property address resides in a judicial or non-judicial state. Judicial states require the foreclosure to be processed through the state's courts while non-judicial states are processed without court intervention. Foreclosure timelines vary according to state law.

LOANS 90 DAYS OR MORE PAST DUE AND STILL ACCRUING

Certain loans 90 days or more past due as to interest or principal are still accruing, because they are (1) well-secured and in the process of collection or (2) real estate 1-4 family mortgage loans or consumer loans exempt under regulatory rules from being classified as nonaccrual until later delinquency, usually 120 days past due. PCI loans of $3.7 billion at December 31, 2014, and $4.5 billion at December 31, 2013, are not included in these past due and still accruing loans even though they are 90 days or more contractually past due. These PCI loans are considered to be accruing because they continue to earn interest from accretable yield, independent of performance in accordance with their contractual terms.

The following table shows non-PCI loans 90 days or more past due and still accruing by class for loans not government insured/guaranteed.

(in millions)		**Dec 31, 2014**	Dec 31, 2013
Loan 90 days or more past due and still accruing:			
Total (excluding PCI):	**$**	**17,810**	23,219
Less: FHA insured/VA guaranteed (1)(2)		**16,827**	21,274
Less: Student loans guaranteed under the FFELP (3)		**63**	900
Total, not government insured/ guaranteed	**$**	**920**	1,045
By segment and class, not government insured/guaranteed:			
Commercial:			
Commercial and industrial	**$**	**31**	11
Real estate mortgage		**16**	35
Real estate construction		**—**	97
Total commercial		**47**	143
Consumer:			
Real estate 1-4 family first mortgage (2)		**260**	354
Real estate 1-4 family junior lien mortgage (2)		**83**	86
Credit card		**364**	321
Automobile		**73**	55
Other revolving credit and installment		**93**	86
Total consumer		**873**	902
Total, not government insured/guaranteed	**$**	**920**	1,045

(1) Represents loans whose repayments are predominantly insured by the FHA or guaranteed by the VA.
(2) Includes mortgage loans held for sale 90 days or more past due and still accruing.
(3) Represents loans whose repayments are predominantly guaranteed by agencies on behalf of the U.S. Department of Education under the FFELP. At the end of second quarter 2014, all government guaranteed student loans were transferred to loans held for sale.

IMPAIRED LOANS The table below summarizes key information for impaired loans. Our impaired loans predominantly include loans on nonaccrual status in the commercial portfolio segment and loans modified in a TDR, whether on accrual or nonaccrual status. These impaired loans generally have estimated losses which are included in the allowance for credit losses. We have impaired loans with no allowance for credit losses when loss content has been previously recognized through charge-offs and we do not anticipate additional charge-offs or losses, or certain loans are currently performing in accordance with their terms and for which no loss has been estimated. Impaired loans exclude PCI loans. The table below includes trial modifications that totaled $452 million at December 31, 2014, and $650 million at December 31, 2013.

For additional information on our impaired loans and allowance for credit losses, see Note 1 (Summary of Significant Accounting Policies).

(in millions)	Unpaid principal balance (1)	Recorded investment		Related allowance for credit losses
		Impaired loans	Impaired loans with related allowance for credit losses	
December 31, 2014				
Commercial:				
Commercial and industrial	**$ 1,524**	**926**	**757**	**240**
Real estate mortgage	**3,190**	**2,483**	**2,405**	**591**
Real estate construction	**491**	**331**	**308**	**45**
Lease financing	**33**	**19**	**19**	**8**
Total commercial	**5,238**	**3,759**	**3,489**	**884**
Consumer:				
Real estate 1-4 family first mortgage	**21,324**	**18,600**	**12,433**	**2,322**
Real estate 1-4 family junior lien mortgage	**3,094**	**2,534**	**2,009**	**653**
Credit card	**338**	**338**	**338**	**98**
Automobile	**190**	**127**	**55**	**8**
Other revolving credit and installment	**60**	**50**	**42**	**5**
Total consumer (2)	**25,006**	**21,649**	**14,877**	**3,086**
Total impaired loans (excluding PCI)	**$ 30,244**	**25,408**	**18,366**	**3,970**
December 31, 2013				
Commercial:				
Commercial and industrial	$ 2,060	1,311	1,061	228
Real estate mortgage	4,269	3,375	3,264	819
Real estate construction	946	615	589	101
Lease financing	71	33	33	8
Total commercial	7,346	5,334	4,947	1,156
Consumer:				
Real estate 1-4 family first mortgage	22,450	19,500	13,896	3,026
Real estate 1-4 family junior lien mortgage	3,130	2,582	2,092	681
Credit card	431	431	431	132
Automobile	245	189	95	11
Other revolving credit and installment	44	34	27	3
Total consumer (2)	26,300	22,736	16,541	3,853
Total impaired loans (excluding PCI)	$ 33,646	28,070	21,488	5,009

(1) Excludes the unpaid principal balance for loans that have been fully charged off or otherwise have zero recorded investment.
(2) Years ended December 31, 2014 and 2013, include the recorded investment of $2.1 billion and $2.5 billion, respectively, of government insured/guaranteed loans that are predominantly insured by the FHA or guaranteed by the VA and generally do not have an allowance.

Commitments to lend additional funds on loans whose terms have been modified in a TDR amounted to $341 million and $407 million at December 31, 2014 and 2013, respectively.

The following tables provide the average recorded investment in impaired loans and the amount of interest income recognized on impaired loans by portfolio segment and class.

					Year ended December 31,	
	2014		2013		2012	
(in millions)	**Average recorded investment**	**Recognized interest income**	Average recorded investment	Recognized interest income	Average recorded investment	Recognized interest income
Commercial:						
Commercial and industrial	**$ 1,089**	**77**	1,508	94	2,317	112
Real estate mortgage	**2,924**	**150**	3,842	141	4,821	119
Real estate construction	**457**	**39**	966	35	1,818	61
Lease financing	**28**	**—**	38	1	57	1
Total commercial	**4,498**	**266**	6,354	271	9,013	293
Consumer:						
Real estate 1-4 family first mortgage	**19,086**	**934**	19,419	973	15,750	803
Real estate 1-4 family junior lien mortgage	**2,547**	**142**	2,498	143	2,193	80
Credit card	**381**	**46**	480	57	572	63
Automobile	**154**	**18**	232	29	299	42
Other revolving credit and installment	**39**	**4**	30	3	25	2
Total consumer	**22,207**	**1,144**	22,659	1,205	18,839	990
Total impaired loans (excluding PCI)	**$ 26,705**	**1,410**	29,013	1,476	27,852	1,283

			Year ended December 31,
(in millions)	**2014**	2013	2012
Average recorded investment in impaired loans	**$ 26,705**	29,013	27,852
Interest income:			
Cash basis of accounting	**$ 435**	426	316
Other (1)	**975**	1,050	967
Total interest income	**$ 1,410**	1,476	1,283

(1) Includes interest recognized on accruing TDRs, interest recognized related to certain impaired loans which have an allowance calculated using discounting, and amortization of purchase accounting adjustments related to certain impaired loans. See footnote 1 to the table of changes in the allowance for credit losses.

TROUBLED DEBT RESTRUCTURINGS (TDRs) When, for economic or legal reasons related to a borrower's financial difficulties, we grant a concession for other than an insignificant period of time to a borrower that we would not otherwise consider, the related loan is classified as a TDR. We do not consider any loans modified through a loan resolution such as foreclosure or short sale to be a TDR.

We may require some consumer borrowers experiencing financial difficulty to make trial payments generally for a period of three to four months, according to the terms of a planned permanent modification, to determine if they can perform according to those terms. These arrangements represent trial modifications, which we classify and account for as TDRs. While loans are in trial payment programs, their original terms are not considered modified and they continue to advance through delinquency status and accrue interest according to their original terms. The planned modifications for these arrangements predominantly involve interest rate reductions or other interest rate concessions; however, the exact concession type and resulting financial effect are usually not finalized and do not take effect until the loan is permanently modified. The trial period terms are developed in accordance with our proprietary programs or the U.S. Treasury's Making Homes Affordable programs for real estate 1-4 family first lien (i.e. Home Affordable Modification Program – HAMP) and junior lien (i.e. Second Lien Modification Program – 2MP) mortgage loans.

At December 31, 2014, the loans in trial modification period were $149 million under HAMP, $34 million under 2MP and $269 million under proprietary programs, compared with $253 million, $45 million and $352 million at December 31, 2013, respectively. Trial modifications with a recorded investment of $167 million at December 31, 2014, and $286 million at December 31, 2013, were accruing loans and $285 million and $364 million, respectively, were nonaccruing loans. Our experience is that substantially all of the mortgages that enter a trial payment period program are successful in completing the program requirements and are then permanently modified at the end of the trial period. Our allowance process considers the impact of those modifications that are probable to occur.

The following table summarizes our TDR modifications for the periods presented by primary modification type and includes the financial effects of these modifications. For those loans that modify more than once, the table reflects each modification that occurred during the period.

(in millions)	Principal (2)	Interest rate reduction	Other concessions (3)	Total	Charge- offs (4)	Weighted average interest rate reduction	Recorded investment related to interest rate reduction (5)
	Primary modification type (1)				Financial effects of modifications		
Year ended December 31, 2014							
Commercial:							
Commercial and industrial	**$ 4**	**51**	**914**	**969**	**36**	**1.53 %**	**$ 51**
Real estate mortgage	**7**	**182**	**929**	**1,118**	**—**	**1.21**	**182**
Real estate construction	**—**	**10**	**270**	**280**	**—**	**2.12**	**10**
Total commercial	**11**	**243**	**2,113**	**2,367**	**36**	**1.32**	**243**
Consumer:							
Real estate 1-4 family first mortgage	**571**	**401**	**2,690**	**3,662**	**92**	**2.50**	**833**
Real estate 1-4 family junior lien mortgage	**50**	**114**	**246**	**410**	**64**	**3.27**	**157**
Credit card	**—**	**155**	**—**	**155**	**—**	**11.40**	**155**
Automobile	**2**	**5**	**85**	**92**	**36**	**8.56**	**5**
Other revolving credit and installment	**—**	**12**	**16**	**28**	**—**	**5.26**	**12**
Trial modifications (6)	**—**	**—**	**(74)**	**(74)**	**—**	**—**	**—**
Total consumer	**623**	**687**	**2,963**	**4,273**	**192**	**3.84**	**1,162**
Total	**$ 634**	**930**	**5,076**	**6,640**	**228**	**3.41 %**	**$ 1,405**
Year ended December 31, 2013							
Commercial:							
Commercial and industrial	$ 19	177	1,081	1,277	17	4.71 %	$ 177
Real estate mortgage	33	307	1,391	1,731	8	1.66	308
Real estate construction	—	12	381	393	4	1.07	12
Total commercial	52	496	2,853	3,401	29	2.72	497
Consumer:							
Real estate 1-4 family first mortgage	1,143	1,170	3,681	5,994	233	2.64	2,019
Real estate 1-4 family junior lien mortgage	103	181	472	756	42	3.33	276
Credit card	—	182	—	182	—	10.38	182
Automobile	3	12	97	112	34	7.66	12
Other revolving credit and installment	—	10	12	22	—	4.87	10
Trial modifications (6)	—	—	50	50	—	—	—
Total consumer	1,249	1,555	4,312	7,116	309	3.31	2,499
Total	$ 1,301	2,051	7,165	10,517	338	3.21 %	$ 2,996
Year ended December 31, 2012							
Commercial:							
Commercial and industrial	$ 11	35	1,389	1,435	40	1.60 %	$ 38
Real estate mortgage	47	219	1,907	2,173	12	1.57	226
Real estate construction	12	19	531	562	10	1.69	19
Lease financing	—	—	4	4	—	—	—
Total commercial	70	273	3,831	4,174	62	1.58	283
Consumer:							
Real estate 1-4 family first mortgage	1,371	1,302	5,822	8,495	547	3.00	2,379
Real estate 1-4 family junior lien mortgage	79	244	756	1,079	512	3.70	313
Credit card	—	241	—	241	—	10.85	241
Automobile	5	54	265	324	50	6.90	56
Other revolving credit and installment	—	1	22	23	5	4.29	2
Trial modifications (6)	—	—	666	666	—	—	—
Total consumer	1,455	1,842	7,531	10,828	1,114	3.78	2,991
Total	$ 1,525	2,115	11,362	15,002	1,176	3.59 %	$ 3,274

(1) Amounts represent the recorded investment in loans after recognizing the effects of the TDR, if any. TDRs may have multiple types of concessions, but are presented only once in the first modification type based on the order presented in the table above. The reported amounts include loans remodified of $2.1 billion, $3.1 billion and $3.9 billion, for the years ended December 31, 2014, 2013, and 2012, respectively.

(2) Principal modifications include principal forgiveness at the time of the modification, contingent principal forgiveness granted over the life of the loan based on borrower performance, and principal that has been legally separated and deferred to the end of the loan, with a zero percent contractual interest rate.

(3) Other concessions include loan renewals, term extensions and other interest and noninterest adjustments, but exclude modifications that also forgive principal and/or reduce the contractual interest rate.

(4) Charge-offs include write-downs of the investment in the loan in the period it is contractually modified. The amount of charge-off will differ from the modification terms if the loan has been charged down prior to the modification based on our policies. In addition, there may be cases where we have a charge-off/down with no legal principal modification. Modifications resulted in legally forgiving principal (actual, contingent or deferred) of $149 million, $393 million and $495 million for the years ended December 31, 2014, 2013, and 2012, respectively.

(5) Reflects the effect of reduced interest rates on loans with principal or interest rate reduction primary modification type.

(6) Trial modifications are granted a delay in payments due under the original terms during the trial payment period. However, these loans continue to advance through delinquency status and accrue interest according to their original terms. Any subsequent permanent modification generally includes interest rate related concessions; however, the exact concession type and resulting financial effect are usually not known until the loan is permanently modified. Trial modifications for the period are presented net of previously reported trial modifications that became permanent in the current period.

The table below summarizes permanent modification TDRs that have defaulted in the current period within 12 months of their permanent modification date. We are reporting these defaulted TDRs based on a payment default definition of 90 days past due for the commercial portfolio segment and 60 days past due for the consumer portfolio segment.

	Recorded investment of defaults		
	Year ended December 31,		
(in millions)	**2014**	2013	2012
Commercial:			
Commercial and industrial	**$ 62**	235	379
Real estate mortgage	**117**	303	579
Real estate construction	**4**	70	261
Lease financing	**—**	—	1
Total commercial	**183**	608	1,220
Consumer:			
Real estate 1-4 family first mortgage	**334**	370	567
Real estate 1-4 family junior lien mortgage	**29**	34	55
Credit card	**51**	59	94
Automobile	**14**	18	55
Other revolving credit and installment	**2**	1	1
Total consumer	**430**	482	772
Total	**$ 613**	1,090	1,992

Purchased Credit-Impaired Loans

Substantially all of our PCI loans were acquired from Wachovia on December 31, 2008, at which time we acquired commercial and consumer loans with a carrying value of $18.7 billion and $40.1 billion, respectively. The unpaid principal balance on December 31, 2008 was $98.2 billion for the total of commercial and consumer PCI loans. The following table presents PCI loans net of any remaining purchase accounting adjustments. Real estate 1-4 family first mortgage PCI loans are predominantly Pick-a-Pay loans.

(in millions)	**Dec 31, 2014**	Dec 31, 2013
Commercial:		
Commercial and industrial	**$ 75**	215
Real estate mortgage	**1,261**	1,856
Real estate construction	**171**	433
Total commercial	**1,507**	2,504
Consumer:		
Real estate 1-4 family first mortgage	**21,712**	24,100
Real estate 1-4 family junior lien mortgage	**101**	123
Total consumer	**21,813**	24,223
Total PCI loans (carrying value)	**$23,320**	26,727
Total PCI loans (unpaid principal balance)	**$32,924**	38,229

ACCRETABLE YIELD The excess of cash flows expected to be collected over the carrying value of PCI loans is referred to as the accretable yield and is recognized in interest income using an effective yield method over the remaining life of the loan, or pools of loans. The accretable yield is affected by:

- changes in interest rate indices for variable rate PCI loans – expected future cash flows are based on the variable rates in effect at the time of the regular evaluations of cash flows expected to be collected;
- changes in prepayment assumptions – prepayments affect the estimated life of PCI loans which may change the amount of interest income, and possibly principal, expected to be collected; and
- changes in the expected principal and interest payments over the estimated life – updates to expected cash flows are driven by the credit outlook and actions taken with borrowers. Changes in expected future cash flows from loan modifications are included in the regular evaluations of cash flows expected to be collected.

The change in the accretable yield related to PCI loans since the merger with Wachovia is presented in the following table.

(in millions)	**2014**	2013	2012	2009-2011
Total, beginning of period	**$ 17,392**	18,548	15,961	10,447
Addition of accretable yield due to acquisitions	**—**	1	3	128
Accretion into interest income (1)	**(1,599)**	(1,833)	(2,152)	(7,199)
Accretion into noninterest income due to sales (2)	**(37)**	(151)	(5)	(237)
Reclassification from nonaccretable difference for loans with improving credit-related cash flows	**2,243**	971	1,141	4,213
Changes in expected cash flows that do not affect nonaccretable difference (3)	**(209)**	(144)	3,600	8,609
Total, end of period	**$ 17,790**	17,392	18,548	15,961

(1) Includes accretable yield released as a result of settlements with borrowers, which is included in interest income.
(2) Includes accretable yield released as a result of sales to third parties, which is included in noninterest income.
(3) Represents changes in cash flows expected to be collected due to the impact of modifications, changes in prepayment assumptions, changes in interest rates on variable rate PCI loans and sales to third parties.

PCI ALLOWANCE Based on our regular evaluation of estimates of cash flows expected to be collected, we may establish an allowance for a PCI loan or pool of loans, with a charge to income though the provision for losses. The following table summarizes the changes in allowance for PCI loan losses since the merger with Wachovia.

(in millions)	Commercial	Pick-a-Pay	Other consumer	Total
Balance, December 31, 2008	$ —	—	—	—
Provision for loan losses	1,668	—	116	1,784
Charge-offs	(1,503)	—	(50)	(1,553)
Balance, December 31, 2011	165	—	66	231
Provision for loan losses	25	—	7	32
Charge-offs	(102)	—	(44)	(146)
Balance, December 31, 2012	88	—	29	117
Reversal of provision for loan losses	(52)	—	(16)	(68)
Charge-offs	(10)	—	(9)	(19)
Balance, December 31, 2013	**26**	**—**	**4**	**30**
Reversal of provision for loan losses	**(12)**	**—**	**(3)**	**(15)**
Charge-offs	**(3)**	**—**	**(1)**	**(4)**
Balance, December 31, 2014	**$ 11**	**—**	**—**	**11**

COMMERCIAL PCI CREDIT QUALITY INDICATORS The following table provides a breakdown of commercial PCI loans by risk category.

(in millions)	Commercial and industrial	Real estate mortgage	Real estate construction	Total
December 31, 2014				
By risk category:				
Pass	**$ 21**	**783**	**118**	**922**
Criticized	**54**	**478**	**53**	**585**
Total commercial PCI loans	**$ 75**	**1,261**	**171**	**1,507**
December 31, 2013				
By risk category:				
Pass	$ 118	324	160	602
Criticized	97	1,532	273	1,902
Total commercial PCI loans	$ 215	1,856	433	2,504

The following table provides past due information for commercial PCI loans.

(in millions)	Commercial and industrial	Real estate mortgage	Real estate construction	Total
December 31, 2014				
By delinquency status:				
Current-29 DPD and still accruing	**$ 75**	**1,135**	**161**	**1,371**
30-89 DPD and still accruing	**—**	**48**	**5**	**53**
90+ DPD and still accruing	**—**	**78**	**5**	**83**
Total commercial PCI loans	**$ 75**	**1,261**	**171**	**1,507**
December 31, 2013				
By delinquency status:				
Current-29 DPD and still accruing	$ 210	1,684	355	2,249
30-89 DPD and still accruing	5	41	2	48
90+ DPD and still accruing	—	131	76	207
Total commercial PCI loans	$ 215	1,856	433	2,504

CONSUMER PCI CREDIT QUALITY INDICATORS Our consumer PCI loans were aggregated into several pools of loans at acquisition. Below, we have provided credit quality indicators based on the unpaid principal balance (adjusted for write-downs) of the individual loans included in the pool, but we have not allocated the remaining purchase accounting adjustments, which were established at a pool level. The following table provides the delinquency status of consumer PCI loans.

	December 31, 2014			December 31, 2013		
(in millions)	**Real estate 1-4 family first mortgage**	**Real estate 1-4 family junior lien mortgage**	**Total**	Real estate 1-4 family first mortgage	Real estate 1-4 family junior lien mortgage	Total
By delinquency status:						
Current-29 DPD and still accruing	**$ 19,236**	**168**	**19,404**	20,712	171	20,883
30-59 DPD and still accruing	**1,987**	**7**	**1,994**	2,185	8	2,193
60-89 DPD and still accruing	**1,051**	**3**	**1,054**	1,164	4	1,168
90-119 DPD and still accruing	**402**	**2**	**404**	457	2	459
120-179 DPD and still accruing	**440**	**3**	**443**	517	4	521
180+ DPD and still accruing	**3,654**	**83**	**3,737**	4,291	95	4,386
Total consumer PCI loans (adjusted unpaid principal balance)	**$ 26,770**	**266**	**27,036**	29,326	284	29,610
Total consumer PCI loans (carrying value)	**$ 21,712**	**101**	**21,813**	24,100	123	24,223

The following table provides FICO scores for consumer PCI loans.

(in millions)	December 31, 2014 Real estate 1-4 family first mortgage	Real estate 1-4 family junior lien mortgage	Total	December 31, 2013 Real estate 1-4 family first mortgage	Real estate 1-4 family junior lien mortgage	Total
By FICO:						
< 600	**$ 7,708**	**75**	**7,783**	9,933	101	10,034
600-639	**5,416**	**53**	**5,469**	6,029	60	6,089
640-679	**6,718**	**69**	**6,787**	6,789	70	6,859
680-719	**4,008**	**39**	**4,047**	3,732	35	3,767
720-759	**1,728**	**13**	**1,741**	1,662	11	1,673
760-799	**875**	**6**	**881**	865	5	870
800+	**220**	**1**	**221**	198	1	199
No FICO available	**97**	**10**	**107**	118	1	119
Total consumer PCI loans (adjusted unpaid principal balance)	**$ 26,770**	**266**	**27,036**	29,326	284	29,610
Total consumer PCI loans (carrying value)	**$ 21,712**	**101**	**21,813**	24,100	123	24,223

The following table shows the distribution of consumer PCI loans by LTV for real estate 1-4 family first mortgages and by CLTV for real estate 1-4 family junior lien mortgages.

(in millions)	December 31, 2014 Real estate 1-4 family first mortgage by LTV	Real estate 1-4 family junior lien mortgage by CLTV	Total	December 31, 2013 Real estate 1-4 family first mortgage by LTV	Real estate 1-4 family junior lien mortgage by CLTV	Total
By LTV/CLTV:						
0-60%	**$ 4,309**	**34**	**4,343**	2,501	32	2,533
60.01-80%	**11,264**	**71**	**11,335**	8,541	42	8,583
80.01-100%	**7,751**	**92**	**7,843**	10,366	88	10,454
100.01-120% (1)	**2,437**	**44**	**2,481**	4,677	67	4,744
> 120% (1)	**1,000**	**24**	**1,024**	3,232	54	3,286
No LTV/CLTV available	**9**	**1**	**10**	9	1	10
Total consumer PCI loans (adjusted unpaid principal balance)	**$ 26,770**	**266**	**27,036**	29,326	284	29,610
Total consumer PCI loans (carrying value)	**$ 21,712**	**101**	**21,813**	24,100	123	24,223

(1) Reflects total loan balances with LTV/CLTV amounts in excess of 100%. In the event of default, the loss content would generally be limited to only the amount in excess of 100% LTV/CLTV.

Note 7: Premises, Equipment, Lease Commitments and Other Assets

(in millions)	Dec 31, 2014	Dec 31, 2013
Land	$ 1,748	1,759
Buildings	8,155	7,931
Furniture and equipment	7,215	7,517
Leasehold improvements	2,009	1,939
Premises and equipment leased under capital leases	79	82
Total premises and equipment	19,206	19,228
Less: Accumulated depreciation and amortization	10,463	10,072
Net book value, premises and equipment	$ 8,743	9,156

Depreciation and amortization expense for premises and equipment was $1.2 billion, $1.2 billion and $1.3 billion in 2014, 2013 and 2012, respectively.

Dispositions of premises and equipment, included in noninterest expense, resulted in a net gain of $28 million in 2014, a net loss of $15 million in 2013 and a net gain of $7 million in 2012.

We have obligations under a number of noncancelable operating leases for premises and equipment. The leases predominantly expire over the next 15 years, with the longest expiring in 2105, and many provide for periodic adjustment of rentals based on changes in various economic indicators. Some leases also include a renewal option. The following table provides the future minimum payments under capital leases and noncancelable operating leases, net of sublease rentals, with terms greater than one year as of December 31, 2014.

(in millions)	Operating leases	Capital leases
Year ended December 31,		
2015	$ 1,148	2
2016	1,033	2
2017	904	3
2018	777	3
2019	672	3
Thereafter	2,521	9
Total minimum lease payments	$ 7,055	22
Executory costs		$ (8)
Amounts representing interest		(5)
Present value of net minimum lease payments		$ 9

Operating lease rental expense (predominantly for premises), net of rental income, was $1.3 billion, $1.3 billion and $1.1 billion in 2014, 2013 and 2012, respectively.

The components of other assets were:

(in millions)	Dec 31, 2014	Dec 31, 2013
Nonmarketable equity investments:		
Cost method:		
Private equity and other	$ 2,300	2,308
Federal bank stock	4,733	4,670
Total cost method	7,033	6,978
Equity method:		
LIHTC investments (1)	7,278	6,209
Private equity and other	5,132	5,782
Total equity method	12,410	11,991
Fair value (2)	2,512	1,386
Total nonmarketable equity investments	21,955	20,355
Corporate/bank-owned life insurance	18,982	18,738
Accounts receivable (3)	27,151	21,422
Interest receivable	4,871	5,019
Core deposit intangibles	3,561	4,674
Customer relationship and other amortized intangibles	857	1,084
Foreclosed assets:		
Residential real estate:		
Government insured/guaranteed (3)	982	2,093
Non-government insured/guaranteed	671	814
Non-residential real estate	956	1,030
Operating lease assets	2,714	2,047
Due from customers on acceptances	201	279
Other (4)	16,156	8,787
Total other assets	$ 99,057	86,342

(1) Represents low income housing tax credit investments.
(2) Represents nonmarketable equity investments for which we have elected the fair value option. See Note 17 (Fair Values of Assets and Liabilities) for additional information.
(3) Upon adoption of ASU 2014-14, Classification of Certain Government-Guaranteed mortgage Loans Upon Foreclosure, certain government guaranteed residential real estate mortgage loans upon foreclosure are included in Accounts Receivable. Previously, these assets were included in government insured/guaranteed residential real estate foreclosed assets. This guidance was adopted during fourth quarter 2014, effective as of January 1, 2014. For more information on the classification of certain government-guaranteed mortgage loans upon foreclosure, see Note 1 (Summary of Significant Accounting Policies).
(4) Includes derivatives designated as hedging instruments, free-standing derivatives (economic hedges), and derivative loan commitments, which are carried at fair value. See Note 16 (Derivatives) for additional information.

Income (expense) related to nonmarketable equity investments was:

	Year ended December 31,		
(in millions)	2014	2013	2012
Net realized gains from nonmarketable equity investments	$ 1,479	1,158	1,086
All other	(741)	(287)	(185)
Total	$ 738	871	901

Note 8: Securitizations and Variable Interest Entities

Involvement with SPEs

In the normal course of business, we enter into various types of on- and off-balance sheet transactions with special purpose entities (SPEs), which are corporations, trusts or partnerships that are established for a limited purpose. Generally, SPEs are formed in connection with securitization transactions. In a securitization transaction, assets from our balance sheet are transferred to an SPE, which then issues to investors various forms of interests in those assets and may also enter into derivative transactions. In a securitization transaction, we typically receive cash and/or other interests in an SPE as proceeds for the assets we transfer. Also, in certain transactions, we may retain the right to service the transferred receivables and to repurchase those receivables from the SPE if the outstanding balance of the receivables falls to a level where the cost exceeds the benefits of servicing such receivables. In addition, we may purchase the right to service loans in an SPE that were transferred to the SPE by a third party.

In connection with our securitization activities, we have various forms of ongoing involvement with SPEs, which may include:

- underwriting securities issued by SPEs and subsequently making markets in those securities;
- providing liquidity facilities to support short-term obligations of SPEs issued to third party investors;
- providing credit enhancement on securities issued by SPEs or market value guarantees of assets held by SPEs through the use of letters of credit, financial guarantees, credit default swaps and total return swaps;
- entering into other derivative contracts with SPEs;
- holding senior or subordinated interests in SPEs;
- acting as servicer or investment manager for SPEs; and
- providing administrative or trustee services to SPEs.

SPEs are generally considered variable interest entities (VIEs). A VIE is an entity that has either a total equity investment that is insufficient to finance its activities without additional subordinated financial support or whose equity investors lack the ability to control the entity's activities or lack the ability to receive expected benefits or absorb obligations in a manner that's consistent with their investment in the entity. A VIE is consolidated by its primary beneficiary, the party that has both the power to direct the activities that most significantly impact the VIE and a variable interest that could potentially be significant to the VIE. A variable interest is a contractual, ownership or other interest that changes with changes in the fair value of the VIE's net assets. To determine whether or not a variable interest we hold could potentially be significant to the VIE, we consider both qualitative and quantitative factors regarding the nature, size and form of our involvement with the VIE. We assess whether or not we are the primary beneficiary of a VIE on an on-going basis.

We have segregated our involvement with VIEs between those VIEs which we consolidate, those which we do not consolidate and those for which we account for the transfers of financial assets as secured borrowings. Secured borrowings are transactions involving transfers of our financial assets to third parties that are accounted for as financings with the assets pledged as collateral. Accordingly, the transferred assets remain recognized on our balance sheet. Subsequent tables within this Note further segregate these transactions by structure type.

The classifications of assets and liabilities in our balance sheet associated with our transactions with VIEs follow:

(in millions)	VIEs that we do not consolidate	VIEs that we consolidate	Transfers that we account for as secured borrowings	Total
December 31, 2014				
Cash	**$ —**	**117**	**4**	**121**
Trading assets	**2,165**	**—**	**204**	**2,369**
Investment securities (1)	**18,271**	**875**	**4,592**	**23,738**
Mortgages held for sale	**—**	**—**	**—**	**—**
Loans	**13,195**	**4,509**	**5,280**	**22,984**
Mortgage servicing rights	**12,562**	**—**	**—**	**12,562**
Other assets	**7,456**	**316**	**52**	**7,824**
Total assets	**53,649**	**5,817**	**10,132**	**69,598**
Short-term borrowings	**—**	**—**	**3,141**	**3,141**
Accrued expenses and other liabilities	**848**	**49** (2)	**1**	**898**
Long-term debt	**2,585**	**1,628** (2)	**4,990**	**9,203**
Total liabilities	**3,433**	**1,677**	**8,132**	**13,242**
Noncontrolling interests	**—**	**103**	**—**	**103**
Net assets	**$ 50,216**	**4,037**	**2,000**	**56,253**
December 31, 2013				
Cash	$ —	165	7	172
Trading assets	1,206	162	193	1,561
Investment securities (1)	18,795	1,352	8,976	29,123
Mortgages held for sale	—	38	—	38
Loans	7,652	6,058	6,021	19,731
Mortgage servicing rights (3)	15,281	—	—	15,281
Other assets	6,151	347	110	6,608
Total assets	49,085	8,122	15,307	72,514
Short-term borrowings	—	29	7,871	7,900
Accrued expenses and other liabilities (3)	1,395	99 (2)	3	1,497
Long-term debt (3)	2,109	2,356 (2)	5,673	10,138
Total liabilities	3,504	2,484	13,547	19,535
Noncontrolling interests	—	5	—	5
Net assets	$ 45,581	5,633	1,760	52,974

(1) Excludes certain debt securities related to loans serviced for the Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC) and GNMA.
(2) Includes the following VIE liabilities at December 31, 2014 and 2013, respectively, with recourse to the general credit of Wells Fargo: Accrued expenses and other liabilities, $0 million and $9 million; and Long-term debt, $0 million and $29 million.
(3) Amounts have been revised for "VIEs that we do not consolidate" to include assets and liabilities related to certain commercial mortgage securitizations and to conform to the current year presentation of long-term debt.

Transactions with Unconsolidated VIEs

Our transactions with VIEs include securitizations of residential mortgage loans, CRE loans, student loans, auto loans and leases and dealer floorplan loans; investment and financing activities involving collateralized debt obligations (CDOs) backed by asset-backed and CRE securities, collateralized loan obligations (CLOs) backed by corporate loans, and other types of structured financing. We have various forms of involvement with VIEs, including servicing, holding senior or subordinated interests, entering into liquidity arrangements, credit default swaps and other derivative contracts. Involvements with these unconsolidated VIEs are recorded on our balance sheet primarily in trading assets, investment securities, loans, MSRs, other assets and other liabilities, as appropriate.

The following tables provide a summary of unconsolidated VIEs with which we have significant continuing involvement, but we are not the primary beneficiary. We do not consider our continuing involvement in an unconsolidated VIE to be significant when it relates to third-party sponsored VIEs for which we were not the transferor (unless we are servicer and have other significant forms of involvement) or if we were the sponsor only or sponsor and servicer but do not have any other forms of significant involvement.

Significant continuing involvement includes transactions where we were the sponsor or transferor and have other significant forms of involvement. Sponsorship includes transactions with unconsolidated VIEs where we solely or materially participated in the initial design or structuring of the entity or marketing of the transaction to investors. When we transfer assets to a VIE and account for the transfer as a sale, we are considered the transferor. We consider investments in securities (other than those held temporarily in trading), loans, guarantees, liquidity agreements, written options and servicing of collateral to be other forms of involvement that may be significant. We have excluded certain transactions with unconsolidated VIEs from the balances presented in the

following table where we have determined that our continuing involvement is not significant due to the temporary nature and size of our variable interests, because we were not the transferor or because we were not involved in the design of the unconsolidated VIEs. We also exclude from the table secured borrowing transactions with unconsolidated VIEs (for information on these transactions, see the Transactions with Consolidated VIEs and Secured Borrowings section in this Note).

		Carrying value - asset (liability)				
(in millions)	Total VIE assets	Debt and equity interests (1)	Servicing assets	Derivatives	Other commitments and guarantees	Net assets
December 31, 2014						
Residential mortgage loan securitizations:						
Conforming (2)	$ 1,268,200	2,846	11,684	—	(581)	13,949
Other/nonconforming	32,213	1,644	209	—	(8)	1,845
Commercial mortgage securitizations	196,510	8,756	650	251	(32)	9,625
Collateralized debt obligations:						
Debt securities	5,039	11	—	163	(105)	69
Loans (4)	5,347	5,221	—	—	—	5,221
Asset-based finance structures	18,954	13,044	—	(71)	—	12,973
Tax credit structures	22,859	7,809	—	—	(2,585)	5,224
Collateralized loan obligations	1,251	518	—	—	—	518
Investment funds	2,764	49	—	—	—	49
Other (5)	12,912	747	19	(18)	(5)	743
Total	$ 1,566,049	40,645	12,562	325	(3,316)	50,216
		Maximum exposure to loss				
		Debt and equity interests (1)	Servicing assets	Derivatives	Other commitments and guarantees	Net assets
Residential mortgage loan securitizations:						
Conforming		$ 2,846	11,684	—	2,507	17,037
Other/nonconforming		1,644	209	—	345	2,198
Commercial mortgage securitizations		8,756	650	251	5,715	15,372
Collateralized debt obligations:						
Debt securities		11	—	163	105	279
Loans (4)		5,221	—	—	—	5,221
Asset-based finance structures		13,044	—	89	656	13,789
Tax credit structures		7,809	—	—	725	8,534
Collateralized loan obligations		518	—	—	38	556
Investment funds		49	—	—	—	49
Other (5)		747	19	150	156	1,072
Total		$ 40,645	12,562	653	10,247	64,107

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(in millions)	Total VIE assets	Carrying value - asset (liability) Debt and equity interests (1)	Servicing assets	Derivatives	Other commitments and guarantees	Net assets
December 31, 2013						
Residential mortgage loan securitizations:						
Conforming (2)	$ 1,314,285	2,721	14,253	—	(745)	16,229
Other/nonconforming	38,330	1,739	258	—	(26)	1,971
Commercial mortgage securitizations (3)	202,700	7,627	747	209	(40)	8,543
Collateralized debt obligations:						
Debt securities	6,730	37	—	214	(130)	121
Loans (4)	6,021	5,888	—	—	—	5,888
Asset-based finance structures	11,415	6,857	—	(84)	—	6,773
Tax credit structures	23,112	6,455	—	—	(2,213)	4,242
Collateralized loan obligations	4,382	1,061	—	—	—	1,061
Investment funds	3,464	54	—	—	—	54
Other (5)	10,343	860	23	5	(189)	699
Total	$ 1,620,782	33,299	15,281	344	(3,343)	45,581

	Maximum exposure to loss Debt and equity interests (1)	Servicing assets	Derivatives	Other commitments and guarantees	Net assets
Residential mortgage loan securitizations:					
Conforming	$ 2,721	14,253	—	2,287	19,261
Other/nonconforming	1,739	258	—	346	2,343
Commercial mortgage securitizations (3)	7,627	747	322	5,232	13,928
Collateralized debt obligations:					
Debt securities	37	—	214	130	381
Loans (4)	5,888	—	—	—	5,888
Asset-based finance structures	6,857	—	84	1,665	8,606
Tax credit structures	6,455	—	—	626	7,081
Collateralized loan obligations	1,061	—	—	159	1,220
Investment funds	54	—	—	31	85
Other (5)	860	23	178	188	1,249
Total	$ 33,299	15,281	798	10,664	60,042

(1) Includes total equity interests of $8.1 billion at December 31, 2014 and $6.9 billion at December 31, 2013. Also includes debt interests in the form of both loans and securities. Excludes certain debt securities held related to loans serviced for FNMA, FHLMC and GNMA.
(2) Excludes assets and related liabilities with a recorded carrying value on our balance sheet of $1.7 billion and $2.1 billion at December 31, 2014 and 2013, respectively, for certain delinquent loans that are eligible for repurchase primarily from GNMA loan securitizations. The recorded carrying value represents the amount that would be payable if the Company was to exercise the repurchase option. The carrying amounts are excluded from the table because the loans eligible for repurchase do not represent interests in the VIEs.
(3) December 31, 2013, has been revised to include certain commercial mortgage securitizations with FNMA and GNMA to conform with current period presentation.
(4) Represents senior loans to trusts that are collateralized by asset-backed securities. The trusts invest primarily in senior tranches from a diversified pool of primarily U.S. asset securitizations, of which all are current and 70% and 72% were rated as investment grade by the primary rating agencies at December 31, 2014 and 2013, respectively. These senior loans are accounted for at amortized cost and are subject to the Company's allowance and credit charge-off policies.
(5) Includes structured financing and credit-linked note structures. Also contains investments in auction rate securities (ARS) issued by VIEs that we do not sponsor and, accordingly, are unable to obtain the total assets of the entity.

In the two preceding tables, "Total VIE assets" represents the remaining principal balance of assets held by unconsolidated VIEs using the most current information available. For VIEs that obtain exposure to assets synthetically through derivative instruments, the remaining notional amount of the derivative is included in the asset balance. "Carrying value" is the amount in our consolidated balance sheet related to our involvement with the unconsolidated VIEs. "Maximum exposure to loss" from our involvement with off-balance sheet entities, which is a required disclosure under GAAP, is determined as the carrying value of our involvement with off-balance sheet (unconsolidated) VIEs plus the remaining undrawn liquidity and lending commitments, the notional amount of net written derivative contracts, and generally the notional amount of, or stressed loss estimate for, other commitments and guarantees. It represents estimated loss that would be incurred under severe, hypothetical circumstances, for which we believe the possibility is extremely remote, such as where the value of our interests and any associated collateral declines to zero, without any consideration of recovery or offset from any economic hedges. Accordingly, this required disclosure is not an indication of expected loss.

RESIDENTIAL MORTGAGE LOANS Residential mortgage loan securitizations are financed through the issuance of fixed-rate or floating-rate asset-backed securities, which are collateralized by the loans transferred to a VIE. We typically transfer loans we originated to these VIEs, account for the transfers as sales, retain the right to service the loans and may hold other beneficial

interests issued by the VIEs. We also may be exposed to limited liability related to recourse agreements and repurchase agreements we make to our issuers and purchasers, which are included in other commitments and guarantees. In certain instances, we may service residential mortgage loan securitizations structured by third parties whose loans we did not originate or transfer. Our residential mortgage loan securitizations consist of conforming and nonconforming securitizations.

Conforming residential mortgage loan securitizations are those that are guaranteed by the government-sponsored entities (GSEs), including GNMA. Because of the power of the GSEs over the VIEs that hold the assets from these conforming residential mortgage loan securitizations, we do not consolidate them.

The loans sold to the VIEs in nonconforming residential mortgage loan securitizations are those that do not qualify for a GSE guarantee. We may hold variable interests issued by the VIEs, primarily in the form of senior securities. We do not consolidate the nonconforming residential mortgage loan securitizations included in the table because we either do not hold any variable interests, hold variable interests that we do not consider potentially significant or are not the primary servicer for a majority of the VIE assets.

Other commitments and guarantees include amounts related to loans sold that we may be required to repurchase, or otherwise indemnify or reimburse the investor or insurer for losses incurred, due to material breach of contractual representations and warranties as well as other retained recourse arrangements. The maximum exposure to loss for material breach of contractual representations and warranties represents a stressed case estimate we utilize for determining stressed case regulatory capital needs and is considered to be a remote scenario.

COMMERCIAL MORTGAGE LOAN SECURITIZATIONS
Commercial mortgage loan securitizations are financed through the issuance of fixed or floating-rate asset-backed securities, which are collateralized by the loans transferred to the VIE. In a typical securitization, we may transfer loans we originate to these VIEs, account for the transfers as sales, retain the right to service the loans and may hold other beneficial interests issued by the VIEs. In certain instances, we may service commercial mortgage loan securitizations structured by third parties whose loans we did not originate or transfer. We typically serve as primary or master servicer of these VIEs. The primary or master servicer in a commercial mortgage loan securitization typically cannot make the most significant decisions impacting the performance of the VIE and therefore does not have power over the VIE. We do not consolidate the commercial mortgage loan securitizations included in the disclosure because we either do not have power or do not have a variable interest that could potentially be significant to the VIE.

COLLATERALIZED DEBT OBLIGATIONS (CDOs) A CDO is a securitization where a VIE purchases a pool of assets consisting of asset-backed securities and issues multiple tranches of equity or notes to investors. In some CDOs, a portion of the assets are obtained synthetically through the use of derivatives such as credit default swaps or total return swaps.

In addition to our role as arranger we may have other forms of involvement with these CDOs. Such involvement may include acting as liquidity provider, derivative counterparty, secondary market maker or investor. For certain CDOs, we may also act as the collateral manager or servicer. We receive fees in connection with our role as collateral manager or servicer.

We assess whether we are the primary beneficiary of CDOs based on our role in them in combination with the variable interests we hold. Subsequently, we monitor our ongoing involvement to determine if the nature of our involvement has changed. We are not the primary beneficiary of these CDOs in most cases because we do not act as the collateral manager or servicer, which generally denotes power. In cases where we are the collateral manager or servicer, we are not the primary beneficiary because we do not hold interests that could potentially be significant to the VIE.

COLLATERALIZED LOAN OBLIGATIONS (CLOs) A CLO is a securitization where an SPE purchases a pool of assets consisting of loans and issues multiple tranches of equity or notes to investors. Generally, CLOs are structured on behalf of a third party asset manager that typically selects and manages the assets for the term of the CLO. Typically, the asset manager has the power over the significant decisions of the VIE through its discretion to manage the assets of the CLO. We assess whether we are the primary beneficiary of CLOs based on our role in them and the variable interests we hold. In most cases, we are not the primary beneficiary because we do not have the power to manage the collateral in the VIE.

In addition to our role as arranger, we may have other forms of involvement with these CLOs. Such involvement may include acting as underwriter, derivative counterparty, secondary market maker or investor. For certain CLOs, we may also act as the servicer, for which we receive fees in connection with that role. We also earn fees for arranging these CLOs and distributing the securities.

ASSET-BASED FINANCE STRUCTURES We engage in various forms of structured finance arrangements with VIEs that are collateralized by various asset classes including energy contracts, auto and other transportation leases, intellectual property, equipment and general corporate credit. We typically provide senior financing, and may act as an interest rate swap or commodity derivative counterparty when necessary. In most cases, we are not the primary beneficiary of these structures because we do not have power over the significant activities of the VIEs involved in them.

In fourth quarter 2014, we sold $8.3 billion of government guaranteed student loans, including the rights to service the loans, to a third party, resulting in a $217 million gain. In connection with the sale, we provided $6.5 billion in floating-rate loan financing to an asset backed financing entity (VIE) formed by the third party purchaser. Our financing, which is fully collateralized by government guaranteed student loans, is measured at amortized cost and classified in loans on the balance sheet. The collateral supporting our loan includes a portion of the student loans we sold. We are not the primary beneficiary of the VIE and, therefore, are not required to consolidate the entity as we do not have power over the significant activities of the entity. For information on the estimated fair value of the loan and related sensitivity analysis, see the Retained Interests from Unconsolidated VIEs section in this Note.

In addition, we also have investments in asset-backed securities that are collateralized by auto leases or loans and cash. These fixed-rate and variable-rate securities have been structured as single-tranche, fully amortizing, unrated bonds that are equivalent to investment-grade securities due to their significant overcollateralization. The securities are issued by VIEs that have been formed by third party auto financing institutions primarily because they require a source of liquidity

to fund ongoing vehicle sales operations. The third party auto financing institutions manage the collateral in the VIEs, which is indicative of power in them and we therefore do not consolidate these VIEs.

TAX CREDIT STRUCTURES We co-sponsor and make investments in affordable housing and sustainable energy projects that are designed to generate a return primarily through the realization of federal tax credits. In some instances, our investments in these structures may require that we fund future capital commitments at the discretion of the project sponsors. While the size of our investment in a single entity may at times exceed 50% of the outstanding equity interests, we do not consolidate these structures due to the project sponsor's ability to manage the projects, which is indicative of power in them.

INVESTMENT FUNDS We do not consolidate the investment funds because we do not absorb the majority of the expected future variability associated with the funds' assets, including variability associated with credit, interest rate and liquidity risks.

OTHER TRANSACTIONS WITH VIEs Auction rate securities (ARS) are debt instruments with long-term maturities, which re-price more frequently, and preferred equities with no maturity. At December 31, 2014, we held in our available-for-sale securities portfolio $567 million of ARS issued by VIEs compared with $653 million at December 31, 2013. We acquired the ARS pursuant to agreements entered into in 2008 and 2009.

We do not consolidate the VIEs that issued the ARS because we do not have power over the activities of the VIEs.

TRUST PREFERRED SECURITIES VIEs that we wholly own issue debt securities or preferred equity to third party investors. All of the proceeds of the issuance are invested in debt securities or preferred equity that we issue to the VIEs. The VIEs' operations and cash flows relate only to the issuance, administration and repayment of the securities held by third parties. We do not consolidate these VIEs because the sole assets of the VIEs are receivables from us, even though we own all of the voting equity shares of the VIEs, have fully guaranteed the obligations of the VIEs and may have the right to redeem the third party securities under certain circumstances. In our consolidated balance sheet at December 31, 2014 and December 31, 2013, we reported the debt securities issued to the VIEs as long-term junior subordinated debt with a carrying value of $2.1 billion and $1.9 billion, respectively, and the preferred equity securities issued to the VIEs as preferred stock with a carrying value of $2.5 billion at both dates. These amounts are in addition to the involvements in these VIEs included in the preceding table.

In 2013, we redeemed $2.8 billion of trust preferred securities that will no longer count as Tier 1 capital under the Dodd-Frank Act and the Basel Committee recommendations known as the Basel III standards.

Securitization Activity Related to Unconsolidated VIEs

We use VIEs to securitize consumer and CRE loans and other types of financial assets. We typically retain the servicing rights from these sales and may continue to hold other beneficial interests in the VIEs. We may also provide liquidity to investors in the beneficial interests and credit enhancements in the form of standby letters of credit. Through these securitizations we may be exposed to liability under limited amounts of recourse as well as standard representations and warranties we make to purchasers and issuers. The following table presents the cash flows with our securitization trusts that were involved in transfers accounted for as sales.

					Year ended December 31,	
	2014		2013		2012	
(in millions)	**Mortgage loans**	**Other financial assets**	Mortgage loans	Other financial assets	Mortgage loans	Other financial assets
Sales proceeds from securitizations	**$ 164,331**	**—**	357,807	—	535,372	—
Fees from servicing rights retained	**4,062**	**8**	4,240	10	4,433	10
Cash flows from other interests held (1)	**1,417**	**75**	2,284	93	1,767	135
Purchases of delinquent assets	**6**	**—**	18	—	62	—
Servicing advances, net of repayments	**(170)**	**—**	(34)	—	226	—

(1) Cash flows from other interests held include principal and interest payments received on retained bonds and excess cash flows received on interest-only strips.

In 2014, 2013, and 2012, we recognized net gains of $288 million, $149 million and $518 million, respectively, from transfers accounted for as sales of financial assets in securitizations. These net gains primarily relate to commercial mortgage securitizations and residential mortgage securitizations where the loans were not already carried at fair value.

Sales with continuing involvement during 2014, 2013 and 2012 predominantly related to securitizations of residential mortgages that are sold to the GSEs, including FNMA, FHLMC and GNMA (conforming residential mortgage securitizations). During 2014, 2013 and 2012 we transferred $155.8 billion, $343.9 billion and $517.3 billion respectively, in fair value of conforming residential mortgages to unconsolidated VIEs and recorded the transfers as sales. Substantially all of these transfers did not result in a gain or loss because the loans were already carried at fair value. In connection with all of these transfers, in 2014 we recorded a $1.2 billion servicing asset, measured at fair value using a Level 3 measurement technique, available-for-sale securities of $751 million, classified as Level 2, and a $44 million liability for repurchase losses which reflects management's estimate of probable losses related to various representations and warranties for the loans transferred, initially measured at fair value. In 2013, we recorded a $3.5 billion servicing asset and a $143 million liability. In 2012, we recorded a $4.9 billion servicing asset and a $275 million liability.

We used the following key weighted-average assumptions to measure residential mortgage servicing rights at the date of securitization:

	Residential mortgage servicing rights		
	2014	2013	2012
Year ended December 31,			
Prepayment speed (1)	**12.4%**	11.2	13.4
Discount rate	**7.6**	7.3	7.3
Cost to service ($ per loan) (2)	**$ 259**	184	151

(1) The prepayment speed assumption for residential mortgage servicing rights includes a blend of prepayment speeds and default rates. Prepayment speed assumptions are influenced by mortgage interest rate inputs as well as our estimation of drivers of borrower behavior.
(2) Includes costs to service and unreimbursed foreclosure costs, which can vary period to period depending on the mix of modified government-guaranteed loans sold to GNMA.

During 2014, 2013 and 2012, we transferred $10.3 billion, $5.6 billion and $3.4 billion, respectively, in fair value of commercial mortgages to unconsolidated VIEs and recorded the transfers as sales. These transfers resulted in a gain of $198 million in 2014, $152 million in 2013 and $178 million in 2012, respectively, because the loans were carried at LOCOM. In connection with these transfers, in 2014 we recorded a servicing asset of $99 million, initially measured at fair value using a Level 3 measurement technique, and available-for-sale securities of $100 million, classified as Level 2. In 2013, we recorded a servicing asset of $20 million and available-for-sale securities of $54 million. In 2012, we recorded a servicing asset of $13 million and available-for-sale securities of $116 million.

Retained Interests from Unconsolidated VIEs

The following table provides key economic assumptions and the sensitivity of the current fair value of residential mortgage servicing rights and other retained interests to immediate adverse changes in those assumptions. “Other interests held” relate predominantly to residential and commercial mortgage loan securitizations. Residential mortgage-backed securities retained in securitizations issued through GSEs, such as FNMA, FHLMC and GNMA, are excluded from the table because these securities have a remote risk of credit loss due to the GSE guarantee. These securities also have economic characteristics similar to GSE mortgage-backed securities that we purchase, which are not included in the table. Subordinated interests include only those bonds whose credit rating was below AAA by a major rating agency at issuance. Senior interests include only those bonds whose credit rating was AAA by a major rating agency at issuance. The information presented excludes trading positions held in inventory.

($ in millions, except cost to service amounts)	Residential mortgage servicing rights (1)	Other interests held			
			Consumer	Commercial (2)	
		Interest-only strips	Subordinated bonds	Subordinated bonds	Senior bonds
Fair value of interests held at December 31, 2014	**$ 12,738**	**117**	**36**	**294**	**546**
Expected weighted-average life (in years)	**5.7**	**3.9**	**5.5**	**2.9**	**6.2**
Key economic assumptions:					
Prepayment speed assumption (3)	**12.5%**	**11.4**	**7.1**		
Decrease in fair value from:					
10% adverse change	**$ 738**	**2**	**—**		
25% adverse change	**1,754**	**6**	**—**		
Discount rate assumption	**7.6%**	**18.7**	**3.9**	**4.7**	**2.8**
Decrease in fair value from:					
100 basis point increase	**$ 617**	**2**	**2**	**8**	**29**
200 basis point increase	**1,178**	**4**	**3**	**15**	**55**
Cost to service assumption ($ per loan)	**179**				
Decrease in fair value from:					
10% adverse change	**579**				
25% adverse change	**1,433**				
Credit loss assumption			**0.4%**	**4.1**	**—**
Decrease in fair value from:					
10% higher losses			**$ —**	**3**	**—**
25% higher losses			**—**	**10**	**—**
Fair value of interests held at December 31, 2013	$ 15,580	135	39	283	587
Expected weighted-average life (in years)	6.4	3.8	5.9	3.6	6.3
Key economic assumptions:					
Prepayment speed assumption (3)	10.7%	10.7	6.7		
Decrease in fair value from:					
10% adverse change	$ 864	3	—		
25% adverse change	2,065	7	—		
Discount rate assumption	7.8%	18.3	4.4	4.5	3.6
Decrease in fair value from:					
100 basis point increase	$ 840	2	2	30	30
200 basis point increase	1,607	5	4	38	58
Cost to service assumption ($ per loan)	191				
Decrease in fair value from:					
10% adverse change	636				
25% adverse change	1,591				
Credit loss assumption			0.4%	14.2	—
Decrease in fair value from:					
10% higher losses			$ —	29	—
25% higher losses			—	39	1

(1) See narrative following this table for a discussion of commercial mortgage servicing rights.
(2) Prepayment speed assumptions do not significantly impact the value of commercial mortgage securitization bonds as the underlying commercial mortgage loans experience significantly lower prepayments due to certain contractual restrictions, impacting the borrower's ability to prepay the mortgage.
(3) The prepayment speed assumption for residential mortgage servicing rights includes a blend of prepayment speeds and default rates. Prepayment speed assumptions are influenced by mortgage interest rate inputs as well as our estimation of drivers of borrower behavior.

In addition to residential mortgage servicing rights (MSRs) included in the previous table, we have a small portfolio of commercial MSRs with a fair value of $1.6 billion at both December 31, 2014 and 2013. The nature of our commercial MSRs, which are carried at LOCOM, is different from our residential MSRs. Prepayment activity on serviced loans does not significantly impact the value of commercial MSRs because, unlike residential mortgages, commercial mortgages experience significantly lower prepayments due to certain contractual restrictions, impacting the borrower's ability to prepay the mortgage. Additionally, for our commercial MSR portfolio, we are typically master/primary servicer, but not the special servicer, who is separately responsible for the servicing and workout of delinquent and foreclosed loans. It is the special servicer, similar to our role as servicer of residential mortgage loans, who is affected by higher servicing and foreclosure costs due to an increase in delinquent and foreclosed loans. Accordingly, prepayment speeds and costs to service are not key assumptions for commercial MSRs as they do not significantly impact the valuation. The primary economic driver impacting the fair value of our commercial MSRs is forward interest rates, which are derived from market observable yield curves used to price capital markets instruments. Market interest rates most significantly affect interest earned on custodial deposit balances. The sensitivity of the current fair value to an immediate adverse 25% change in the assumption about interest earned on deposit balances at December 31, 2014, and 2013, results in a decrease in fair value of $185 million and $175 million, respectively. See Note 9 (Mortgage Banking Activities) for further information on our commercial MSRs.

We also have a $6.5 billion loan to an unconsolidated third party VIE that we extended in fourth quarter 2014 in conjunction with our sale of government guaranteed student loans. The loan is carried at amortized cost and approximates fair value at December 31, 2014. The estimated fair value of the loan is considered a Level 3 measurement that is determined using discounted cash flows that are based on changes in the discount rate due to changes in the risk premium component (credit spreads). The primary economic assumption impacting the fair value of our loan is the discount rate. Changes in the credit loss assumption are not expected to affect the estimated fair value of the loan due to the government guarantee of the underlying collateral. The sensitivity of the current fair value to an immediate adverse increase of 200 basis points in the risk premium component of the discount rate assumption is a decrease in fair value of $130 million at December 31, 2014. For more information on the student loan sale, see the discussion on Asset-Based Finance Structures earlier in this Note.

The sensitivities in the preceding paragraphs and table are hypothetical and caution should be exercised when relying on this data. Changes in value based on variations in assumptions generally cannot be extrapolated because the relationship of the change in the assumption to the change in value may not be linear. Also, the effect of a variation in a particular assumption on the value of the other interests held is calculated independently without changing any other assumptions. In reality, changes in one factor may result in changes in others (for example, changes in prepayment speed estimates could result in changes in the credit losses), which might magnify or counteract the sensitivities.

Off-Balance Sheet Loans

The following table presents information about the principal balances of off-balance sheet loans that were sold or securitized, including residential mortgage loans sold to FNMA, FHLMC, GNMA and other investors, for which we have some form of continuing involvement (primarily servicer). Delinquent loans include loans 90 days or more past due and loans in bankruptcy, regardless of delinquency status. For loans sold or securitized where servicing is our only form of continuing involvement, we would only experience a loss if we were required to repurchase a delinquent loan or foreclosed asset due to a breach in representations and warranties associated with our loan sale or servicing contracts.

					Net charge-offs	
	Total loans		Delinquent loans and foreclosed assets (1)		Year ended	
	December 31,		December 31,		December 31,	
(in millions)	**2014**	2013	**2014**	2013	**2014**	2013
Commercial:						
Real estate mortgage	**114,081**	119,346	**7,949**	8,808	**621**	617
Total commercial	**114,081**	119,346	**7,949**	8,808	**621**	617
Consumer:						
Real estate 1-4 family first mortgage (2)(3)	**1,322,136**	1,387,822	**28,639**	32,911	**1,209**	2,318
Real estate 1-4 family junior lien mortgage	**1**	1	**—**	—	**—**	—
Other revolving credit and installment	**1,599**	1,790	**75**	99	**1**	—
Total consumer	**1,323,736**	1,389,613	**28,714**	33,010	**1,210**	2,318
Total off-balance sheet sold or securitized loans (4)	**$ 1,437,817**	1,508,959	**36,663**	41,818	**1,831**	2,935

(1) Includes $3.3 billion and $2.8 billion of commercial foreclosed assets and $2.7 billion and $3.9 billion of consumer foreclosed assets at December 31, 2014 and 2013, respectively.
(2) Total loans in prior period have been revised to include whole loan sales for which we have some form of continuing involvement.
(3) Delinquent loans and foreclosed assets in prior period have been revised to include whole loan sale delinquencies and transferred assets in foreclosure status for which we have risk of loss. The related net charge-offs have also been revised.
(4) At December 31, 2014 and 2013, the table includes total loans of $1.3 trillion at both dates and delinquent loans of $16.5 billion and $17.9 billion, respectively for FNMA, FHLMC and GNMA. Net charge-offs exclude loans sold to FNMA, FHLMC and GNMA as we do not service or manage the underlying real estate upon foreclosure and, as such, do not have access to net charge-off information.

Transactions with Consolidated VIEs and Secured Borrowings

The following table presents a summary of transfers of financial assets accounted for as secured borrowings and involvements with consolidated VIEs. "Assets" are presented using GAAP measurement methods, which may include fair value, credit impairment or other adjustments, and therefore in some instances will differ from "Total VIE assets." For VIEs that obtain exposure synthetically through derivative instruments, the remaining notional amount of the derivative is included in "Total VIE assets." On our consolidated balance sheet, we separately disclose the consolidated assets of certain VIEs that can only be used to settle the liabilities of those VIEs.

			Carrying value		
(in millions)	Total VIE assets	Assets	Liabilities	Noncontrolling interests	Net assets
December 31, 2014					
Secured borrowings:					
Municipal tender option bond securitizations	**$ 5,422**	**4,837**	**(3,143)**	**—**	**1,694**
Commercial real estate loans	**250**	**250**	**(63)**	**—**	**187**
Residential mortgage securitizations	**4,804**	**5,045**	**(4,926)**	**—**	**119**
Total secured borrowings	**10,476**	**10,132**	**(8,132)**	**—**	**2,000**
Consolidated VIEs:					
Nonconforming residential mortgage loan securitizations	**5,041**	**4,491**	**(1,509)**	**—**	**2,982**
Structured asset finance	**47**	**47**	**(23)**	**—**	**24**
Investment funds	**904**	**904**	**(2)**	**—**	**902**
Other	**431**	**375**	**(143)**	**(103)**	**129**
Total consolidated VIEs	**6,423**	**5,817**	**(1,677)**	**(103)**	**4,037**
Total secured borrowings and consolidated VIEs	**$ 16,899**	**15,949**	**(9,809)**	**(103)**	**6,037**
December 31, 2013					
Secured borrowings:					
Municipal tender option bond securitizations	$ 11,626	9,210	(7,874)	—	1,336
Commercial real estate loans	486	486	(277)	—	209
Residential mortgage securitizations	5,337	5,611	(5,396)	—	215
Total secured borrowings	17,449	15,307	(13,547)	—	1,760
Consolidated VIEs:					
Nonconforming residential mortgage loan securitizations	6,770	6,018	(2,214)	—	3,804
Structured asset finance	56	56	(18)	—	38
Investment funds	1,536	1,536	(70)	—	1,466
Other	582	512	(182)	(5)	325
Total consolidated VIEs	8,944	8,122	(2,484)	(5)	5,633
Total secured borrowings and consolidated VIEs	$ 26,393	$ 23,429	$ (16,031)	$ (5)	$ 7,393

In addition to the transactions included in the previous table, at both December 31, 2014, and December 31, 2013, we had approximately $6.0 billion of private placement debt financing issued through a consolidated VIE. The issuance is classified as long-term debt in our consolidated financial statements. At December 31, 2014, and December 31, 2013, we pledged approximately $637 million and $6.6 billion in loans (principal and interest eligible to be capitalized), $5.7 billion and $160 million in available-for-sale securities, and $0 million and $180 million in cash and cash equivalents to collateralize the VIE's borrowings, respectively. These assets were not transferred to the VIE, and accordingly we have excluded the VIE from the previous table.

We have raised financing through the securitization of certain financial assets in transactions with VIEs accounted for as secured borrowings. We also consolidate VIEs where we are the primary beneficiary. In certain transactions we provide contractual support in the form of limited recourse and liquidity to facilitate the remarketing of short-term securities issued to third party investors. Other than this limited contractual support, the assets of the VIEs are the sole source of repayment of the securities held by third parties.

MUNICIPAL TENDER OPTION BOND SECURITIZATIONS As part of our normal investment portfolio activities, we consolidate municipal bond trusts that hold highly rated, long-term, fixed-rate municipal bonds, the majority of which are rated AA or better. Our residual interests in these trusts generally allow us to capture the economics of owning the securities outright, and constructively make decisions that significantly impact the economic performance of the municipal bond vehicle, primarily by directing the sale of the municipal bonds owned by the vehicle. In addition, the residual interest owners have the right to receive benefits and bear losses that are proportional to owning the underlying municipal bonds in the trusts. The trusts obtain financing by issuing floating-rate trust certificates that reprice on a weekly or other basis to third-party investors. Under certain conditions, if we elect to terminate the trusts and withdraw the underlying assets, the third party investors are entitled to a small portion of any unrealized gain on the underlying assets. We may serve as remarketing agent and/or liquidity provider for the trusts. The floating-rate investors have the right to tender the certificates at specified dates, often with as little as seven days' notice. Should we be unable to remarket

the tendered certificates, we are generally obligated to purchase them at par under standby liquidity facilities unless the bond's credit rating has declined below investment grade or there has been an event of default or bankruptcy of the issuer and insurer.

NONCONFORMING RESIDENTIAL MORTGAGE LOAN SECURITIZATIONS We have consolidated certain of our nonconforming residential mortgage loan securitizations in accordance with consolidation accounting guidance. We have determined we are the primary beneficiary of these securitizations because we have the power to direct the most significant activities of the entity through our role as primary servicer and also hold variable interests that we have determined to be significant. The nature of our variable interests in these entities may include beneficial interests issued by the VIE, mortgage servicing rights and recourse or repurchase reserve liabilities. The beneficial interests issued by the VIE that we hold include either subordinate or senior securities held in an amount that we consider potentially significant.

INVESTMENT FUNDS We have consolidated certain of our investment funds where we manage the assets of the fund and our interests absorb a majority of the funds' variability. We consolidate these VIEs because we have discretion over the management of the assets and are the sole investor in these funds.

Note 9: Mortgage Banking Activities

Mortgage banking activities, included in the Community Banking and Wholesale Banking operating segments, consist of residential and commercial mortgage originations, sale activity and servicing.

We apply the amortization method to commercial MSRs and apply the fair value method to residential MSRs. The changes in MSRs measured using the fair value method were:

	Year ended December 31,		
(in millions)	**2014**	2013	2012
Fair value, beginning of year	**$ 15,580**	11,538	12,603
Servicing from securitizations or asset transfers (1)	**1,196**	3,469	5,182
Sales	**(7)**	(583)	(293)
Net additions	**1,189**	2,886	4,889
Changes in fair value:			
Due to changes in valuation model inputs or assumptions:			
Mortgage interest rates (2)	**(2,150)**	4,362	(2,092)
Servicing and foreclosure costs (3)	**(20)**	(228)	(677)
Discount rates (4)	**(55)**	—	(397)
Prepayment estimates and other (5)	**103**	(736)	273
Net changes in valuation model inputs or assumptions	**(2,122)**	3,398	(2,893)
Other changes in fair value (6)	**(1,909)**	(2,242)	(3,061)
Total changes in fair value	**(4,031)**	1,156	(5,954)
Fair value, end of year	**$ 12,738**	15,580	11,538

(1) The year ended December 31, 2012, includes $315 million residential MSRs transferred from amortized MSRs that we elected to carry at fair value effective January 1, 2012.
(2) Includes prepayment speed changes as well as other valuation changes due to changes in mortgage interest rates (such as changes in estimated interest earned on custodial deposit balances).
(3) Includes costs to service and unreimbursed foreclosure costs.
(4) Reflects discount rate assumption change, excluding portion attributable to changes in mortgage interest rates.
(5) Represents changes driven by other valuation model inputs or assumptions including prepayment speed estimation changes and other assumption updates. Prepayment speed estimation changes are influenced by observed changes in borrower behavior that occur independent of interest rate changes.
(6) Represents changes due to collection/realization of expected cash flows over time.

The changes in amortized MSRs were:

	Year ended December 31,		
(in millions)	**2014**	2013	2012
Balance, beginning of year	**$ 1,229**	1,160	1,445
Purchases	**157**	176	177
Servicing from securitizations or asset transfers (1)	**110**	147	(229)
Amortization	**(254)**	(254)	(233)
Balance, end of year	**1,242**	1,229	1,160
Valuation allowance:			
Balance, beginning of year	**—**	—	(37)
Reversal of provision (provision) for MSRs in excess of fair value	**—**	—	37
Balance, end of year (2)	**—**	—	—
Amortized MSRs, net	**$ 1,242**	1,229	1,160
Fair value of amortized MSRs (3):			
Beginning of year	**$ 1,575**	1,400	1,756
End of year	**1,637**	1,575	1,400

(1) The year ended December 31, 2012, is net of $350 million ($313 million after valuation allowance) of residential MSRs that we elected to carry at fair value effective January 1, 2012. A cumulative adjustment of $2 million to fair value was recorded in retained earnings at January 1, 2012.
(2) Commercial amortized MSRs are evaluated for impairment purposes by the following risk strata: agency (GSEs) and non-agency. There was no valuation allowance recorded for the periods presented on the commercial amortized MSRs. For the year ended December 31, 2012, a valuation allowance of $37 million for residential MSRs was reversed upon election to carry at fair value.
(3) Represent commercial amortized MSRs.

Note 9: Mortgage Banking Activities *(continued)*

We present the components of our managed servicing portfolio in the following table at unpaid principal balance for loans serviced and subserviced for others and at book value for owned loans serviced.

(in billions)	**Dec 31, 2014**	Dec 31, 2013
Residential mortgage servicing:		
Serviced for others	**$ 1,405**	1,485
Owned loans serviced	**342**	338
Subserviced for others	**5**	6
Total residential servicing	**1,752**	1,829
Commercial mortgage servicing:		
Serviced for others	**456**	419
Owned loans serviced	**112**	107
Subserviced for others	**7**	7
Total commercial servicing	**575**	533
Total managed servicing portfolio	**$ 2,327**	2,362
Total serviced for others	**$ 1,861**	1,904
Ratio of MSRs to related loans serviced for others	**0.75%**	0.88

The components of mortgage banking noninterest income were:

	Year ended December 31,		
(in millions)	**2014**	2013	2012
Servicing income, net:			
Servicing fees			
Contractually specified servicing fees	**$ 4,285**	4,442	4,626
Late charges	**203**	216	257
Ancillary fees	**319**	343	342
Unreimbursed direct servicing costs (1)	**(694)**	(1,074)	(1,234)
Net servicing fees	**4,113**	3,927	3,991
Changes in fair value of MSRs carried at fair value:			
Due to changes in valuation model inputs or assumptions (2)	**(2,122)**	3,398	(2,893)
Other changes in fair value (3)	**(1,909)**	(2,242)	(3,061)
Total changes in fair value of MSRs carried at fair value	**(4,031)**	1,156	(5,954)
Amortization	**(254)**	(254)	(233)
Net derivative gains (losses) from economic hedges (4)	**3,509**	(2,909)	3,574
Total servicing income, net	**3,337**	1,920	1,378
Net gains on mortgage loan origination/sales activities	**3,044**	6,854	10,260
Total mortgage banking noninterest income	**$ 6,381**	8,774	11,638
Market-related valuation changes to MSRs, net of hedge results (2) + (4)	**$ 1,387**	489	681

(1) Primarily associated with foreclosure expenses and unreimbursed interest advances to investors.
(2) Refer to the changes in fair value of MSRs table in this Note for more detail.
(3) Represents changes due to collection/realization of expected cash flows over time.
(4) Represents results from economic hedges used to hedge the risk of changes in fair value of MSRs. See Note 16 (Derivatives Not Designated as Hedging Instruments) for additional discussion and detail.

The table below summarizes the changes in our liability for mortgage loan repurchase losses. This liability is in “Accrued expenses and other liabilities” in our consolidated balance sheet and the provision for repurchase losses reduces net gains on mortgage loan origination/sales activities in "Mortgage banking" in our consolidated income statement. Because the level of mortgage loan repurchase losses depends upon economic factors, investor demand strategies and other external conditions that may change over the life of the underlying loans, the level of the liability for mortgage loan repurchase losses is difficult to estimate and requires considerable management judgment. We maintain regular contact with the GSEs, the Federal Housing Finance Agency (FHFA), and other significant investors to monitor their repurchase demand practices and issues as part of our process to update our repurchase liability estimate as new information becomes available. The Company reached settlements with both FHLMC and FNMA in 2013, that resolved substantially all repurchase liabilities associated with loans sold to FHLMC prior to January 1, 2009 and loans sold to FNMA that were originated prior to January 1, 2009.

Because of the uncertainty in the various estimates underlying the mortgage repurchase liability, there is a range of losses in excess of the recorded mortgage repurchase liability that is reasonably possible. The estimate of the range of possible loss for representations and warranties does not represent a probable loss, and is based on currently available information, significant judgment, and a number of assumptions that are subject to change. The high end of this range of reasonably possible losses in excess of our recorded liability was $973 million at December 31, 2014, and was determined based upon modifying the assumptions (particularly to assume significant changes in investor repurchase demand practices) utilized in our best estimate of probable loss to reflect what we believe to be the high end of reasonably possible adverse assumptions.

	Year ended December 31,		
(in millions)	**2014**	2013	2012
Balance, beginning of year	**$ 899**	2,206	1,326
Provision for repurchase losses:			
Loan sales	**44**	143	275
Change in estimate (1)	**(184)**	285	1,665
Total additions (reductions)	**(140)**	428	1,940
Losses (2)	**(144)**	(1,735)	(1,060)
Balance, end of year	**$ 615**	899	2,206

(1) Results from changes in investor demand, mortgage insurer practices, credit and the financial stability of correspondent lenders.

(2) Year ended December 31, 2013, reflects $746 million and $508 million as a result of the settlements reached with FHLMC and FNMA, respectively, that resolved substantially all repurchase liabilities associated with loans sold to FHLMC prior to January 1, 2009 and loans sold to FNMA that were originated prior to January 1, 2009.

Note 10: Intangible Assets

The gross carrying value of intangible assets and accumulated amortization was:

(in millions)	December 31, 2014 Gross carrying value	Accumulated amortization	Net carrying value	December 31, 2013 Gross carrying value	Accumulated amortization	Net carrying value
Amortized intangible assets (1):						
MSRs (2)	**$ 2,906**	**(1,664)**	**1,242**	2,639	(1,410)	1,229
Core deposit intangibles	**12,834**	**(9,273)**	**3,561**	12,834	(8,160)	4,674
Customer relationship and other intangibles	**3,179**	**(2,322)**	**857**	3,145	(2,061)	1,084
Total amortized intangible assets	**$ 18,919**	**(13,259)**	**5,660**	18,618	(11,631)	6,987
Unamortized intangible assets:						
MSRs (carried at fair value) (2)	**$ 12,738**			15,580		
Goodwill	**25,705**			25,637		
Trademark	**14**			14		

(1) Excludes fully amortized intangible assets.
(2) See Note 9 (Mortgage Banking Activities) for additional information on MSRs.

The following table provides the current year and estimated future amortization expense for amortized intangible assets. We based our projections of amortization expense shown below on existing asset balances at December 31, 2014. Future amortization expense may vary from these projections.

(in millions)	Amortized MSRs	Core deposit intangibles	Customer relationship and other intangibles	Total
Year ended December 31, 2014 (actual)	**$ 254**	**1,113**	**261**	**1,628**
Estimate for year ended December 31,				
2015	$ 240	1,022	225	1,487
2016	202	919	211	1,332
2017	160	851	197	1,208
2018	129	769	187	1,085
2019	113	—	12	125

For our goodwill impairment analysis, we allocate all of the goodwill to the individual operating segments. We identify reporting units that are one level below an operating segment (referred to as a component), and distinguish these reporting units based on how the segments and components are managed, taking into consideration the economic characteristics, nature of the products and customers of the components. At the time we acquire a business, we allocate goodwill to applicable reporting units based on their relative fair value, and if we have a significant business reorganization, we may reallocate the goodwill. See Note 24 (Operating Segments) for further information on management reporting.

The following table shows the allocation of goodwill to our reportable operating segments for purposes of goodwill impairment testing.

(in millions)	Community Banking	Wholesale Banking	Wealth, Brokerage and Retirement	Consolidated Company
December 31, 2012	$ 17,922	7,344	371	25,637
December 31, 2013	**$ 17,922**	**7,344**	**371**	**25,637**
Reduction in goodwill related to divested businesses	**—**	**(11)**	**—**	**(11)**
Goodwill from business combinations	**—**	**87**	**—**	**87**
Other	**(8)**	**—**	**—**	**(8)**
December 31, 2014	**$ 17,914**	**7,420**	**371**	**25,705**

Note 11: Deposits

Following is a summary of the time certificates of deposit (CDs) and other time deposits issued by domestic and foreign offices.

	December 31,	
(in billions)	**2014**	2013
Total domestic and foreign	**$ 124.9**	117.4
Domestic:		
$100,000 or more	**14.7**	16.6
$250,000 or more	**6.9**	7.2
Foreign:		
$100,000 or more	**16.4**	15.3
$250,000 or more	**16.4**	15.2

Substantially all CDs and other time deposits issued by domestic and foreign offices were interest bearing. The contractual maturities of these deposits are presented in the following table.

(in millions)	December 31, 2014
2015	$ 103,409
2016	10,205
2017	3,070
2018	3,207
2019	1,204
Thereafter	3,785
Total	$ 124,880

The contractual maturities of the domestic time deposits with a denomination of $100,000 or more are presented in the following table.

(in millions)	2014
Three months or less	$ 3,700
After three months through six months	2,352
After six months through twelve months	2,340
After twelve months	6,338
Total	$ 14,730

Demand deposit overdrafts of $581 million and $554 million were included as loan balances at December 31, 2014 and 2013, respectively.

Note 12: Short-Term Borrowings

The table below shows selected information for short-term borrowings, which predominantly mature in less than 30 days. We pledge certain financial instruments that we own to collateralize repurchase agreements and other securities financings. For additional information, see the "Pledged Assets" section of Note 14 (Guarantees, Pledged Assets and Collateral).

		2014		2013		2012
(in millions)	**Amount**	**Rate**	Amount	Rate	Amount	Rate
As of December 31,						
Federal funds purchased and securities sold under agreements to repurchase	**$ 51,052**	**0.07%**	$ 36,263	0.05%	$ 34,973	0.17%
Commercial paper	**2,456**	**0.34**	5,162	0.18	4,038	0.27
Other short-term borrowings	**10,010**	**0.07**	12,458	0.31	18,164	0.16
Total	**$ 63,518**	**0.08**	$ 53,883	0.12	$ 57,175	0.17
Year ended December 31,						
Average daily balance						
Federal funds purchased and securities sold under agreements to repurchase	**$ 44,680**	**0.08**	$ 36,227	0.08	$ 32,092	0.12
Commercial paper	**4,751**	**0.17**	4,702	0.25	4,142	0.26
Other short-term borrowings	**10,680**	**0.18**	13,787	0.22	14,962	0.29
Total	**$ 60,111**	**0.10**	$ 54,716	0.13	$ 51,196	0.18
Maximum month-end balance						
Federal funds purchased and securities sold under agreements to repurchase (1)	**$ 51,052**	**N/A**	$ 39,451	N/A	$ 36,327	N/A
Commercial paper (2)	**6,070**	**N/A**	5,700	N/A	5,036	N/A
Other short-term borrowings (3)	**12,209**	**N/A**	16,564	N/A	18,164	N/A

N/A- Not applicable
(1) Highest month-end balance in each of the last three years was December 2014, May 2013 and June 2012.
(2) Highest month-end balance in each of the last three years was March 2014, March 2013 and September 2012.
(3) Highest month-end balance in each of the last three years was June 2014, March 2013 and December 2012.

Note 13: Long-Term Debt

We issue long-term debt denominated in multiple currencies, predominantly in U.S. dollars. Our issuances have both fixed and floating interest rates. As a part of our overall interest rate risk management strategy, we often use derivatives to manage our exposure to interest rate risk. We also use derivatives to manage our exposure to foreign currency risk. As a result, a major portion of the long-term debt presented below is hedged in a fair value or cash flow hedge relationship. See Note 16 (Derivatives) for further information on qualifying hedge contracts.

Following is a summary of our long-term debt carrying values, reflecting unamortized debt discounts and premiums, and purchase accounting adjustments, where applicable. The interest rates displayed represent the range of contractual rates in effect at December 31, 2014. These interest rates do not include the effects of any associated derivatives designated in a hedge accounting relationship.

			December 31,	
			2014	2013
(in millions)	Maturity date(s)	Stated interest rate(s)		
Wells Fargo & Company (Parent only)				
Senior				
Fixed-rate notes	2015-2038	0.625-6.75%	**$ 54,441**	44,145
Floating-rate notes	2015-2048	0.00-3.735	**15,317**	12,445
Structured notes (1)	2015-2053	Varies	**4,825**	4,891
Total senior debt - Parent			**74,583**	61,481
Subordinated				
Fixed-rate notes (2)	2016-2044	3.45-7.574%	**19,688**	17,469
Floating-rate notes	2015-2016	0.573-0.601	**1,215**	1,190
Total subordinated debt - Parent			**20,903**	18,659
Junior subordinated				
Fixed-rate notes - hybrid trust securities	2029-2036	5.95-7.95%	**1,378**	1,178
Floating-rate notes	2027	0.731-1.231	**272**	263
Total junior subordinated debt - Parent (3)			**1,650**	1,441
Total long-term debt - Parent (2)			**97,136**	81,581
Wells Fargo Bank, N.A. and other bank entities (Bank)				
Senior				
Fixed-rate notes	2015	0.75%	**500**	500
Floating-rate notes	2015-2053	0.00-0.511	**4,969**	2,219
Floating-rate extendible notes (4)	2016	0.281-0.387	**11,048**	10,749
Fixed-rate advances - Federal Home Loan Bank (FHLB) (5)	2015-2031	3.83-8.17	**125**	160
Floating-rate advances - FHLB (5)	2018-2019	0.22-0.35	**34,000**	19,000
Structured notes (1)	2015-2025	Varies	**4**	13
Capital leases (Note 7)	2015-2025	Varies	**9**	11
Total senior debt - Bank			**50,655**	32,652
Subordinated				
Fixed-rate notes	2015-2038	4.75-7.74%	**10,310**	10,725
Floating-rate notes	2016-2017	0.442-3.107	**994**	1,616
Total subordinated debt - Bank			**11,304**	12,341
Junior subordinated				
Floating-rate notes	2027	0.802-0.881%	**313**	303
Total junior subordinated debt - Bank (3)			**313**	303
Long-term debt issued by VIE - Fixed rate (6)	2020-2047	0.00-7.00%	**609**	1,098
Long-term debt issued by VIE - Floating rate (6)	2016-2047	0.296-18.970	**996**	1,230
Mortgage notes and other debt (7)	2015-2062	0.00-9.20	**16,239**	16,874
Total long-term debt - Bank			**80,116**	64,498

(continued on following page)

Note 13: Long-Term Debt *(continued)*

(continued from previous page)

			December 31,	
			2014	2013
(in millions)	Maturity date(s)	Stated interest rate(s)		
Other consolidated subsidiaries				
Senior				
Fixed-rate notes	2015-2023	2.774-4.38%	**6,317**	6,543
FixFloat notes	2020	6.795% through 2015, Varies	**20**	20
Structured notes (1)	2021	Varies	**1**	—
Total senior debt - Other consolidated subsidiaries			**6,338**	6,563
Junior subordinated				
Floating-rate notes	2027	0.733%	**155**	155
Total junior subordinated debt - Other consolidated subsidiaries (3)			**155**	155
Long-term debt issued by VIE - Fixed rate (6)	2015	5.16%	**23**	18
Long-term debt issued by VIE - Floating rate (6)			**—**	10
Mortgage notes and other (7)	2015-2022	1.563-5.920	**175**	173
Total long-term debt - Other consolidated subsidiaries			**6,691**	6,919
Total long-term debt			**$ 183,943**	152,998

(1) Predominantly consists of long-term notes where the performance of the note is linked to an embedded equity, commodity, or currency index, or basket of indices accounted for separately from the note as a free-standing derivative. For information on embedded derivatives, see the "Derivatives Not Designated as Hedging Instruments" section in Note 16 (Derivatives). In addition, a major portion consists of zero coupon callable notes where interest is paid as part of the final redemption amount.
(2) Includes fixed-rate subordinated notes issued by the Parent at a discount of $139 million and $140 million in 2014 and 2013, respectively, to effect a modification of Wells Fargo Bank, NA notes. These notes are carried at their par amount on the balance sheet of the Parent presented in Note 25 (Parent-Only Financial Statements).
(3) Represents junior subordinated debentures held by unconsolidated wholly-owned trusts formed for the sole purpose of issuing trust preferred securities. See Note 8 (Securitizations and Variable Interest Entities) for additional information on our trust preferred security structures.
(4) Represents floating-rate extendible notes where holders of the notes may elect to extend the contractual maturity of all or a portion of the principal amount on a periodic basis.
(5) At December 31, 2014, Federal Home Loan Bank advances were secured by investment securities and residential loan collateral. Outstanding advances at December 31, 2013, were secured by residential loan collateral.
(6) For additional information on VIEs, see Note 8 (Securitizations and Variable Interest Entities).
(7) Predominantly related to securitizations and secured borrowings, see Note 8 (Securitizations and Variable Interest Entities).

The aggregate carrying value of long-term debt that matures (based on contractual payment dates) as of December 31, 2014, in each of the following five years and thereafter, is presented in the following table.

(in millions)	Parent	Company
2015	$ 9,014	16,606
2016	15,238	32,920
2017	13,215	17,870
2018	8,312	27,029
2019	6,480	25,190
Thereafter	44,877	64,328
Total	$ 97,136	183,943

As part of our long-term and short-term borrowing arrangements, we are subject to various financial and operational covenants. Some of the agreements under which debt has been issued have provisions that may limit the merger or sale of certain subsidiary banks and the issuance of capital stock or convertible securities by certain subsidiary banks. At December 31, 2014, we were in compliance with all the covenants.

Note 14: Guarantees, Pledged Assets and Collateral

Guarantees are contracts that contingently require us to make payments to a guaranteed party based on an event or a change in an underlying asset, liability, rate or index. Guarantees are generally in the form of standby letters of credit, securities lending and other indemnifications, written put options, recourse obligations, and other types of arrangements. The following table shows carrying value, maximum exposure to loss on our guarantees and the related non-investment grade amounts.

			December 31, 2014					
			Maximum exposure to loss					
(in millions)		**Carrying value**	**Expires in one year or less**	**Expires after one year through three years**	**Expires after three years through five years**	**Expires after five years**	**Total**	**Non-investment grade**
Standby letters of credit (1)	**$**	**41**	**16,271**	**10,269**	**6,295**	**645**	**33,480**	**8,447**
Securities lending and other indemnifications		**—**	**—**	**2**	**2**	**5,948**	**5,952**	**—**
Written put options (2)		**469**	**7,644**	**5,256**	**2,822**	**2,409**	**18,131**	**7,902**
Loans and MHFS sold with recourse		**72**	**131**	**486**	**822**	**5,386**	**6,825**	**3,945**
Factoring guarantees		**—**	**3,460**	**—**	**—**	**—**	**3,460**	**3,460**
Other guarantees		**24**	**9**	**85**	**22**	**2,158**	**2,274**	**69**
Total guarantees	**$**	**606**	**27,515**	**16,098**	**9,963**	**16,546**	**70,122**	**23,823**

			December 31, 2013					
			Maximum exposure to loss					
(in millions)		Carrying value	Expires in one year or less	Expires after one year through three years	Expires after three years through five years	Expires after five years	Total	Non-investment grade
Standby letters of credit (1)	$	56	16,907	11,628	5,308	994	34,837	9,512
Securities lending and other indemnifications		—	—	3	18	3,199	3,220	25
Written put options (2)		907	4,775	2,967	3,521	2,725	13,988	4,311
Loans and MHFS sold with recourse		86	116	418	849	5,014	6,397	3,674
Factoring guarantees		—	2,915	—	—	—	2,915	2,915
Other guarantees (3)		33	34	111	16	971	1,132	113
Total guarantees	$	1,082	24,747	15,127	9,712	12,903	62,489	20,550

(1) Total maximum exposure to loss includes direct pay letters of credit (DPLCs) of $15.0 billion and $16.8 billion at December 31, 2014 and 2013, respectively. We issue DPLCs to provide credit enhancements for certain bond issuances. Beneficiaries (bond trustees) may draw upon these instruments to make scheduled principal and interest payments, redeem all outstanding bonds because a default event has occurred, or for other reasons as permitted by the agreement. We also originate multipurpose lending commitments under which borrowers have the option to draw on the facility in one of several forms, including as a standby letter of credit. Total maximum exposure to loss includes the portion of these facilities for which we have issued standby letters of credit under the commitments.
(2) Written put options, which are in the form of derivatives, are also included in the derivative disclosure in Note 16 (Derivatives).
(3) Includes amounts for liquidity agreements and contingent consideration that were previously reported separately.

"Maximum exposure to loss" and "Non-investment grade" are required disclosures under GAAP. Non-investment grade represents those guarantees on which we have a higher risk of being required to perform under the terms of the guarantee. If the underlying assets under the guarantee are non-investment grade (that is, an external rating that is below investment grade or an internal credit default grade that is equivalent to a below investment grade external rating), we consider the risk of performance to be high. Internal credit default grades are determined based upon the same credit policies that we use to evaluate the risk of payment or performance when making loans and other extensions of credit. These credit policies are further described in Note 6 (Loans and Allowance for Credit Losses).

Maximum exposure to loss represents the estimated loss that would be incurred under an assumed hypothetical circumstance, despite what we believe is its extremely remote possibility, where the value of our interests and any associated collateral declines to zero. Maximum exposure to loss estimates in the table above do not reflect economic hedges or collateral we could use to offset or recover losses we may incur under our guarantee agreements. Accordingly, this required disclosure is not an indication of expected loss. We believe the carrying value, which is either fair value for derivative-related products or the allowance for lending-related commitments, is more representative of our exposure to loss than maximum exposure to loss.

STANDBY LETTERS OF CREDIT We issue standby letters of credit, which include performance and financial guarantees, for customers in connection with contracts between our customers and third parties. Standby letters of credit are agreements where we are obligated to make payment to a third party on behalf of a customer if the customer fails to meet their contractual obligations. We consider the credit risk in standby letters of credit and commercial and similar letters of credit in determining the allowance for credit losses.

SECURITIES LENDING AND OTHER INDEMNIFICATIONS As a securities lending agent, we lend debt and equity securities from participating institutional clients' portfolios to third-party borrowers. These arrangements are for an indefinite period of time whereby we indemnify our clients against default by the borrower in returning these lent securities. This indemnity is supported by collateral received from the borrowers and is generally in the form of cash or highly liquid securities that are marked to market daily. The fair value of securities loaned out at December 31, 2014 and 2013, totaled $211 million and $337 million, respectively. The fair value of collateral supporting the loaned securities was $218 million and $346 million at December 31, 2014 and 2013, respectively.

We use certain third-party clearing agents to clear and settle transactions on behalf of some of our institutional brokerage customers. We indemnify the clearing agents against loss that could occur for non-performance by our customers on transactions that are not sufficiently collateralized. Transactions subject to the indemnifications may include customer obligations related to the settlement of margin accounts and short positions, such as written call options and securities borrowing transactions. Outstanding customer obligations were $950 million and $769 million and the related collateral was $5.6 billion and $3.7 billion at December 31, 2014, and December 31, 2013, respectively. Our estimate of maximum exposure to loss, which requires judgment regarding the range and likelihood of future events, was $5.7 billion as of December 31, 2014, and $2.9 billion as of December 31, 2013.

We enter into other types of indemnification agreements in the ordinary course of business under which we agree to indemnify third parties against any damages, losses and expenses incurred in connection with legal and other proceedings arising from relationships or transactions with us. These relationships or transactions include those arising from service as a director or officer of the Company, underwriting agreements relating to our securities, acquisition agreements and various other business transactions or arrangements. Because the extent of our obligations under these agreements depends entirely upon the occurrence of future events, we are unable to determine our potential future liability under these agreements. We do, however, record a liability for residential mortgage loans that we expect to repurchase pursuant to various representations and warranties. See Note 9 (Mortgage Banking Activities) for additional information on the liability for mortgage loan repurchase losses.

WRITTEN PUT OPTIONS Written put options are contracts that give the counterparty the right to sell to us an underlying instrument held by the counterparty at a specified price, and may include options, floors, caps and credit default swaps. These written put option contracts generally permit net settlement. While these derivative transactions expose us to risk if the option is exercised, we manage this risk by entering into offsetting trades or by taking short positions in the underlying instrument. We offset substantially all put options written to customers with purchased options. Additionally, for certain of these contracts, we require the counterparty to pledge the underlying instrument as collateral for the transaction. Our ultimate obligation under written put options is based on future market conditions and is only quantifiable at settlement. See Note 16 (Derivatives) for additional information regarding written derivative contracts.

LOANS AND MHFS SOLD WITH RECOURSE In certain loan sales or securitizations, we provide recourse to the buyer whereby we are required to indemnify the buyer for any loss on the loan up to par value plus accrued interest. We provide recourse, predominantly to the GSEs, on loans sold under various programs and arrangements. Primarily all of these programs and arrangements require that we share in the loans' credit exposure for their remaining life by providing recourse to the GSE, up to 33.33% of actual losses incurred on a pro-rata basis, in the event of borrower default. Under the remaining recourse programs and arrangements, if certain events occur within a specified period of time from transfer date, we have to provide limited recourse to the buyer to indemnify them for losses incurred for the remaining life of the loans. The maximum exposure to loss reported in the accompanying table represents the outstanding principal balance of the loans sold or securitized that are subject to recourse provisions or the maximum losses per the contractual agreements. However, we believe the likelihood of loss of the entire balance due to these recourse agreements is remote and amounts paid can be recovered in whole or in part from the sale of collateral. During 2014 and 2013 we repurchased $14 million and $33 million, respectively, of loans associated with these agreements. We also provide representation and warranty guarantees on loans sold under the various recourse programs and arrangements. Our loss exposure relative to these guarantees is separately considered and provided for, as necessary, in determination of our liability for loan repurchases due to breaches of representation and warranties. See Note 9 (Mortgage Banking Activities) for additional information on the liability for mortgage loan repurchase losses.

FACTORING GUARANTEES Under certain factoring arrangements, we are required to purchase trade receivables from third parties, generally upon their request, if receivable debtors default on their payment obligations. See Note 1 (Summary of Significant Accounting Policies) for additional information.

OTHER GUARANTEES We are members of exchanges and clearing houses that we use to clear our trades and those of our customers. It is common that all members in these organizations are required to collectively guarantee the performance of other members. Our obligations under the guarantees are based on either a fixed amount or a multiple of the collateral we are required to maintain with these organizations. We have not recorded a liability for these arrangements as of the dates presented in the previous table because we believe the likelihood of loss is remote.

Other guarantees also include liquidity agreements and contingent performance arrangements. We provide liquidity to certain off-balance sheet entities that hold securitized fixed-rate municipal bonds and consumer or commercial assets that are partially funded with the issuance of money market and other short-term notes. See Note 8 (Securitization and Variable Interest Entities) for additional information on securitization and VIEs.

Under our contingent performance arrangements, we are required to pay the counterparties to transactions related to various customer relationships and lease agreements if third parties default on certain obligations.

Pledged Assets

As part of our liquidity management strategy, we pledge assets to secure trust and public deposits, borrowings and letters of credit from the FHLB and FRB, securities sold under agreements to repurchase (repurchase agreements), and for other purposes as required or permitted by law or insurance statutory requirements. The types of collateral we pledge include securities issued by federal agencies, GSEs, domestic and foreign companies and various commercial and consumer loans. The following table provides the total carrying amount of pledged assets by asset type. The table excludes pledged consolidated VIE assets of $5.8 billion and $8.1 billion at December 31, 2014, and December 31, 2013, respectively, which can only be used to settle the liabilities of those entities. The table also excludes $10.1 billion and $15.3 billion in assets pledged in transactions accounted for as secured borrowings at December 31, 2014 and 2013, respectively. See Note 8 (Securitizations and Variable Interest Entities) for additional information on consolidated VIE assets and secured borrowings.

(in millions)		**Dec. 31, 2014**	Dec. 31, 2013
Trading assets and other (1)		**49,685**	30,288
Investment securities (2)		**101,997**	85,468
Mortgages held for sale and loans (3)		**418,338**	381,597
Total pledged assets	**$**	**570,020**	497,353

(1) Represent assets pledged to collateralize repurchase agreements and other securities financings. Balance includes $49.4 billion and $29.0 billion at December 31, 2014 and 2013, respectively, under agreements that permit the secured parties to sell or repledge the collateral.

(2) Includes carrying value of $6.6 billion and $8.7 billion (fair value of $6.8 billion and $8.7 billion) in collateral for repurchase agreements at December 31, 2014 and 2013, respectively, which are pledged under agreements that do not permit the secured parties to sell or repledge the collateral. Also includes $164 million in collateral pledged under repurchase agreements at December 31, 2014, that permit the secured parties to sell or repledge the collateral.

(3) Includes mortgages held for sale of $8.7 billion and $7.3 billion at December 31, 2014 and 2013, respectively. Balance consists of mortgages held for sale and loans that are pledged under agreements that do not permit the secured parties to sell or repledge the collateral. Amounts exclude $1.7 billion and $2.1 billion at December 31, 2014 and 2013, respectively, of pledged loans recorded on our balance sheet representing certain delinquent loans that are eligible for repurchase primarily from GNMA loan securitizations. See Note 8 (Securitizations and Variable Interest Entities) for additional information.

Offsetting of Resale and Repurchase Agreements and Securities Borrowing and Lending Agreements

The table below presents resale and repurchase agreements subject to master repurchase agreements (MRA) and securities borrowing and lending agreements subject to master securities lending agreements (MSLA). We account for transactions subject to these agreements as collateralized financings, and those with a single counterparty are presented net on our balance sheet, provided certain criteria are met that permit balance sheet netting. Most transactions subject to these agreements do not meet those criteria and thus are not eligible for balance sheet netting.

Collateral we pledged consists of non-cash instruments, such as securities or loans, and is not netted on the balance sheet against the related collateralized liability. Collateral we received includes securities or loans and is not recognized on our balance sheet. Collateral received or pledged may be increased or decreased over time to maintain certain contractual thresholds as the assets underlying each arrangement fluctuate in value. Generally, these agreements require collateral to exceed the asset or liability recognized on the balance sheet. The following table includes the amount of collateral pledged or received related to exposures subject to enforceable MRAs or MSLAs. While these agreements are typically over-collateralized, U.S. GAAP requires disclosure in this table to limit the amount of such collateral to the amount of the related recognized asset or liability for each counterparty.

In addition to the amounts included in the table below, we also have balance sheet netting related to derivatives that is disclosed within Note 16 (Derivatives).

(in millions)	**Dec. 31, 2014**	Dec. 31, 2013
Assets:		
Resale and securities borrowing agreements		
Gross amounts recognized	**58,148**	38,635
Gross amounts offset in consolidated balance sheet (1)	**(6,477)**	(2,817)
Net amounts in consolidated balance sheet (2)	**51,671**	35,818
Collateral not recognized in consolidated balance sheet (3)	**(51,624)**	(35,768)
Net amount (4)	**47**	50
Liabilities:		
Repurchase and securities lending agreements		
Gross amounts recognized	**56,583**	38,032
Gross amounts offset in consolidated balance sheet (1)	**(6,477)**	(2,817)
Net amounts in consolidated balance sheet (5)	**50,106**	35,215
Collateral pledged but not netted in consolidated balance sheet (6)	**(49,713)**	(34,770)
Net amount (7)	**393**	445

(1) Represents recognized amount of resale and repurchase agreements with counterparties subject to enforceable MRAs or MSLAs that have been offset in the consolidated balance sheet.
(2) At December 31, 2014 and 2013, includes $36.8 billion and $25.7 billion, respectively, classified on our consolidated balance sheet in Federal funds sold, securities purchased under resale agreements and other short-term investments and $14.9 billion and $10.1 billion, respectively, in Loans.
(3) Represents the fair value of collateral we have received under enforceable MRAs or MSLAs, limited for table presentation purposes to the amount of the recognized asset due from each counterparty. At December 31, 2014 and 2013, we have received total collateral with a fair value of $64.5 billion and $43.3 billion, respectively, all of which, we have the right to sell or repledge. These amounts include securities we have sold or repledged to others with a fair value of $40.8 billion at December 31, 2014 and $23.8 billion at December 31, 2013.
(4) Represents the amount of our exposure that is not collateralized and/or is not subject to an enforceable MRA or MSLA.
(5) Amount is classified in Short-term borrowings on our consolidated balance sheet.
(6) Represents the fair value of collateral we have pledged, related to enforceable MRAs or MSLAs, limited for table presentation purposes to the amount of the recognized liability owed to each counterparty. At December 31, 2014 and December 31, 2013, we have pledged total collateral with a fair value of $56.5 billion and $39.0 billion, respectively, of which, the counterparty does not have the right to sell or repledge $6.9 billion as of December 31, 2014, and $10.0 billion as of December 31, 2013.
(7) Represents the amount of our obligation that is not covered by pledged collateral and/or is not subject to an enforceable MRA or MSLA.

Note 15: Legal Actions

Wells Fargo and certain of our subsidiaries are involved in a number of judicial, regulatory and arbitration proceedings concerning matters arising from the conduct of our business activities. These proceedings include actions brought against Wells Fargo and/or our subsidiaries with respect to corporate related matters and transactions in which Wells Fargo and/or our subsidiaries were involved. In addition, Wells Fargo and our subsidiaries may be requested to provide information or otherwise cooperate with government authorities in the conduct of investigations of other persons or industry groups.

Although there can be no assurance as to the ultimate outcome, Wells Fargo and/or our subsidiaries have generally denied, or believe we have a meritorious defense and will deny, liability in all significant litigation pending against us, including the matters described below, and we intend to defend vigorously each case, other than matters we describe as having settled. Reserves are established for legal claims when payments associated with the claims become probable and the costs can be reasonably estimated. The actual costs of resolving legal claims may be substantially higher or lower than the amounts reserved for those claims.

FHA INSURANCE LITIGATION On October 9, 2012, the United States filed a complaint, captioned *United States of America v. Wells Fargo Bank, N.A.*, in the U.S. District Court for the Southern District of New York. The complaint makes claims with respect to Wells Fargo's Federal Housing Administration (FHA) lending program for the period 2001 to 2010. The complaint alleges, among other allegations, that Wells Fargo improperly certified certain FHA mortgage loans for United States Department of Housing and Urban Development (HUD) insurance that did not qualify for the program, and therefore Wells Fargo should not have received insurance proceeds from HUD when some of the loans later defaulted. The complaint further alleges Wells Fargo knew some of the mortgages did not qualify for insurance and did not disclose the deficiencies to HUD before making insurance claims. On December 1, 2012, Wells Fargo filed a motion in the U.S. District Court for the District of Columbia seeking to enforce a release of Wells Fargo given by the United States, which was denied on February 12, 2013. On April 11, 2013, Wells Fargo appealed the decision to the U.S. Court of Appeals for the District of Columbia Circuit. The Court affirmed the denial of Wells Fargo's motion on June 20, 2014. Previous resolution discussions did not result in an acceptable final agreement. The parties are again engaged in discovery.

INTERCHANGE LITIGATION Wells Fargo Bank, N.A., Wells Fargo & Company, Wachovia Bank, N.A. and Wachovia Corporation are named as defendants, separately or in combination, in putative class actions filed on behalf of a plaintiff class of merchants and in individual actions brought by individual merchants with regard to the interchange fees associated with Visa and MasterCard payment card transactions. These actions have been consolidated in the U.S. District Court for the Eastern District of New York. Visa, MasterCard and several banks and bank holding companies are named as defendants in various of these actions. The amended and consolidated complaint asserts claims against defendants based on alleged violations of federal and state antitrust laws and seeks damages, as well as injunctive relief. Plaintiff merchants allege that Visa, MasterCard and payment card issuing banks unlawfully colluded to set interchange rates. Plaintiffs also allege that enforcement of certain Visa and MasterCard rules and alleged tying and bundling of services offered to merchants are anticompetitive. Wells Fargo and Wachovia, along with other defendants and entities, are parties to Loss and Judgment Sharing Agreements, which provide that they, along with other entities, will share, based on a formula, in any losses from the Interchange Litigation. On July 13, 2012, Visa, MasterCard and the financial institution defendants, including Wells Fargo, signed a memorandum of understanding with plaintiff merchants to resolve the consolidated class actions and reached a separate settlement in principle of the consolidated individual actions. The proposed settlement payments by all defendants in the consolidated class and individual actions total approximately $6.6 billion. The class settlement also provides for the distribution to class merchants of 10 basis points of default interchange across all credit rate categories for a period of eight consecutive months. The Court granted final approval of the settlement, which is proceeding. Merchants have filed several "opt-out" actions.

MORTGAGE RELATED REGULATORY INVESTIGATIONS Government agencies continue investigations or examinations of certain mortgage related practices of Wells Fargo and predecessor institutions. Wells Fargo, for itself and for predecessor institutions, has responded, and continues to respond, to requests from government agencies seeking information regarding the origination, underwriting and securitization of residential mortgages, including sub-prime mortgages.

ORDER OF POSTING LITIGATION A series of putative class actions have been filed against Wachovia Bank, N.A. and Wells Fargo Bank, N.A., as well as many other banks, challenging the high to low order in which the banks post debit card transactions to consumer deposit accounts. There are currently several such cases pending against Wells Fargo Bank (including the Wachovia Bank cases to which Wells Fargo succeeded), most of which have been consolidated in multi-district litigation proceedings in the U.S. District Court for the Southern District of Florida. The bank defendants moved to compel these cases to arbitration under Supreme Court authority. On November 22, 2011, the Judge denied the motion. The bank defendants appealed the decision to the U.S. Court of Appeals for the Eleventh Circuit. On October 26, 2012, the Eleventh Circuit affirmed the District Court's denial of the motion. Wells Fargo renewed its motion to compel arbitration with respect to the unnamed putative class members. On April 8, 2013, the District Court denied the motion and Wells Fargo appealed the decision to the Eleventh Circuit. On February 10, 2015, the Eleventh Circuit vacated the order based on the District Court's lack of jurisdiction until class certification has been determined, and remanded to the District Court for further proceedings.

On August 10, 2010, the U.S. District Court for the Northern District of California issued an order in Gutierrez v. Wells Fargo Bank, N.A., a case that was not consolidated in the multi-district proceedings, enjoining the bank's use of the high to low posting method for debit card transactions with respect to the plaintiff class of California depositors, directing the bank to establish a different posting methodology and ordering remediation of approximately $203 million. On October 26, 2010, a final

judgment was entered in Gutierrez. On October 28, 2010, Wells Fargo appealed to the U.S. Court of Appeals for the Ninth Circuit. On December 26, 2012, the Ninth Circuit reversed the order requiring Wells Fargo to change its order of posting and vacated the portion of the order granting remediation of approximately $203 million on the grounds of federal preemption. The Ninth Circuit affirmed the District Court's finding that Wells Fargo violated a California state law prohibition on fraudulent representations and remanded the case to the District Court for further proceedings. On August 5, 2013, the District Court entered a judgment against Wells Fargo in the approximate amount of $203 million, together with post-judgment interest thereon from October 25, 2010, and, effective as of July 15, 2013, enjoined Wells Fargo from making or disseminating additional misrepresentations about its order of posting of transactions. On August 7, 2013, Wells Fargo appealed the judgment to the Ninth Circuit. On October 29, 2014, the Ninth Circuit affirmed the trial court's judgment against Wells Fargo for approximately $203 million, but limited the injunction to debit card transactions. Wells Fargo is presently considering its options.

SECURITIES LENDING LITIGATION Wells Fargo Bank, N.A. is involved in four separate actions brought by securities lending customers of Wells Fargo and Wachovia Bank in various courts. In general, each of the cases alleges losses based on claims that Wells Fargo violated fiduciary and contractual duties in its investment of collateral for loaned securities. *Blue Cross/Blue Shield of Minnesota, et al., v. Wells Fargo Bank, N.A.* resulted in verdicts dismissing the claims against Wells Fargo. Plaintiffs have appealed the verdicts. The remaining cases are scheduled for trial in 2015.

OUTLOOK When establishing a liability for contingent litigation losses, the Company determines a range of potential losses for each matter that is both probable and estimable, and records the amount it considers to be the best estimate within the range. The high end of the range of reasonably possible potential litigation losses in excess of the Company's liability for probable and estimable losses was $1.1 billion as of December 31, 2014. For these matters and others where an unfavorable outcome is reasonably possible but not probable, there may be a range of possible losses in excess of the established liability that cannot be estimated. Based on information currently available, advice of counsel, available insurance coverage and established reserves, Wells Fargo believes that the eventual outcome of the actions against Wells Fargo and/or its subsidiaries, including the matters described above, will not, individually or in the aggregate, have a material adverse effect on Wells Fargo's consolidated financial position. However, in the event of unexpected future developments, it is possible that the ultimate resolution of those matters, if unfavorable, may be material to Wells Fargo's results of operations for any particular period.

Note 16: Derivatives

We primarily use derivatives to manage exposure to market risk, including interest rate risk, credit risk and foreign currency risk, and to assist customers with their risk management objectives. We designate certain derivatives as hedging instruments in a qualifying hedge accounting relationship (fair value or cash flow hedge). Our remaining derivatives consist of economic hedges that do not qualify for hedge accounting and derivatives held for customer accommodation, trading or other purposes.

Our asset/liability management approach to interest rate, foreign currency and certain other risks includes the use of derivatives. Such derivatives are typically designated as fair value or cash flow hedges, or economic hedges. This helps minimize significant, unplanned fluctuations in earnings, fair values of assets and liabilities, and cash flows caused by interest rate, foreign currency and other market risk volatility. This approach involves modifying the repricing characteristics of certain assets and liabilities so that changes in interest rates, foreign currency and other exposures do not have a significantly adverse effect on the net interest margin, cash flows and earnings. As a result of fluctuations in these exposures, hedged assets and liabilities will gain or lose fair value. In a fair value or economic hedge, the effect of this unrealized gain or loss will generally be offset by the gain or loss on the derivatives linked to the hedged assets and liabilities. In a cash flow hedge, where we manage the variability of cash payments due to interest rate fluctuations by the effective use of derivatives linked to hedged assets and liabilities, the hedged asset or liability is not adjusted and the unrealized gain or loss on the derivative is generally reflected in other comprehensive income and not in earnings.

We also offer various derivatives, including interest rate, commodity, equity, credit and foreign exchange contracts, to our customers as part of our trading businesses. These derivative transactions, which involve us engaging in market-making activities or acting as an intermediary, are conducted in an effort to help customers manage their market price risks. We usually offset our exposure from such derivatives by entering into other financial contracts, such as separate derivative or security transactions. The customer accommodations and any offsetting derivatives are treated as customer accommodation, trading and other derivatives in our disclosures. Additionally, this category includes embedded derivatives that are required to be accounted for separately from their host contracts.

The following table presents the total notional or contractual amounts and fair values for our derivatives. Derivative transactions can be measured in terms of the notional amount, but this amount is not recorded on the balance sheet and is not, when viewed in isolation, a meaningful measure of the risk profile of the instruments. The notional amount is generally not exchanged, but is used only as the basis on which interest and other payments are determined. Derivatives designated as qualifying hedging instruments and economic hedges are recorded on the balance sheet at fair value in other assets or other liabilities. Customer accommodation, trading and other derivatives are recorded on the balance sheet at fair value in trading assets, other assets or other liabilities.

Note 16: Derivatives *(continued)*

(in millions)	December 31, 2014 Notional or contractual amount	Fair value Asset derivatives	Fair value Liability derivatives	December 31, 2013 Notional or contractual amount	Fair value Asset derivatives	Fair value Liability derivatives
Derivatives designated as hedging instruments						
Interest rate contracts (1)	**$ 148,967**	**6,536**	**2,435**	100,412	4,315	2,528
Foreign exchange contracts (1)	**26,778**	**752**	**1,347**	26,483	1,091	847
Total derivatives designated as qualifying hedging instruments		**7,288**	**3,782**		5,406	3,375
Derivatives not designated as hedging instruments						
Economic hedges:						
Interest rate contracts (2)	**221,527**	**697**	**487**	220,577	595	897
Equity contracts	**5,219**	**367**	**96**	3,273	349	206
Foreign exchange contracts	**14,405**	**275**	**28**	10,064	21	35
Subtotal (3)		**1,339**	**611**		965	1,138
Customer accommodation, trading and other derivatives:						
Interest rate contracts	**4,378,767**	**56,465**	**57,137**	4,030,068	50,936	53,113
Commodity contracts	**88,640**	**7,461**	**7,702**	96,889	2,673	2,603
Equity contracts	**138,422**	**8,638**	**6,942**	96,379	7,475	7,588
Foreign exchange contracts	**253,742**	**6,377**	**6,452**	164,160	3,731	3,626
Credit contracts - protection sold	**12,304**	**151**	**943**	19,501	354	1,532
Credit contracts - protection purchased	**16,659**	**755**	**168**	23,314	1,147	368
Other derivatives (3)	**1,994**	**—**	**44**	2,160	13	16
Subtotal (3)		**79,847**	**79,388**		66,329	68,846
Total derivatives not designated as hedging instruments		**81,186**	**79,999**		67,294	69,984
Total derivatives before netting		**88,474**	**83,781**		72,700	73,359
Netting (4)		**(65,869)**	**(65,043)**		(56,894)	(63,739)
Total		**$ 22,605**	**18,738**		15,806	9,620

(1) Notional amounts presented exclude $1.9 billion of interest rate contracts at both December 31, 2014 and 2013, for certain derivatives that are combined for designation as a hedge on a single instrument. The notional amount for foreign exchange contracts at December 31, 2014, excludes $2.7 billion for certain derivatives that are combined for designation as a hedge on a single instrument.
(2) Includes economic hedge derivatives used to hedge the risk of changes in the fair value of residential MSRs, MHFS, loans, derivative loan commitments and other interests held.
(3) Prior period has been revised to conform with current period presentation.
(4) Represents balance sheet netting of derivative asset and liability balances, related cash collateral and portfolio level counterparty valuation adjustments. See the next table in this Note for further information.

The following table provides information on the gross fair values of derivative assets and liabilities, the balance sheet netting adjustments and the resulting net fair value amount recorded on our balance sheet, as well as the non-cash collateral associated with such arrangements. We execute substantially all of our derivative transactions under master netting arrangements. We reflect all derivative balances and related cash collateral subject to enforceable master netting arrangements on a net basis within the balance sheet. The "Gross amounts recognized" column in the following table include $69.6 billion and $75.0 billion of gross derivative assets and liabilities, respectively, at December 31, 2014, and $59.8 billion and $66.1 billion, respectively, at December 31, 2013, with counterparties subject to enforceable master netting arrangements that are carried on the balance sheet net of offsetting amounts. The remaining gross derivative assets and liabilities of $18.9 billion and $8.8 billion, respectively, at December 31, 2014 and $12.9 billion and $7.3 billion, respectively, at December 31, 2013, include those with counterparties subject to master netting arrangements for which we have not assessed the enforceability because they are with counterparties where we do not currently have positions to offset, those subject to master netting arrangements where we have not been able to confirm the enforceability and those not subject to master netting arrangements. As such,we do not net derivative balances or collateral within the balance sheet for these counterparties.

We determine the balance sheet netting adjustments based on the terms specified within each master netting arrangement. We disclose the balance sheet netting amounts within the column titled "Gross amounts offset in consolidated balance sheet." Balance sheet netting adjustments are determined at the counterparty level for which there may be multiple contract types. For disclosure purposes, we allocate these adjustments to the contract type for each counterparty proportionally based upon the "Gross amounts recognized" by counterparty. As a result, the net amounts disclosed by contract type may not represent the actual exposure upon settlement of the contracts.

Balance sheet netting does not include non-cash collateral that we receive and pledge. For disclosure purposes, we present the fair value of this non-cash collateral in the column titled "Gross amounts not offset in consolidated balance sheet (Disclosure-only netting)" within the table. We determine and allocate the Disclosure-only netting amounts in the same manner as balance sheet netting amounts.

The "Net amounts" column within the following table represents the aggregate of our net exposure to each counterparty after considering the balance sheet and Disclosure-only netting adjustments. We manage derivative exposure by monitoring the credit risk associated with each counterparty

using counterparty specific credit risk limits, using master netting arrangements and obtaining collateral. Derivative contracts executed in over-the-counter markets include bilateral contractual arrangements that are not cleared through a central clearing organization but are typically subject to master netting arrangements. The percentage of our bilateral derivative transactions outstanding at period end in such markets, based on gross fair value, is provided within the following table. Other derivative contracts executed in over-the-counter or exchange-traded markets are settled through a central clearing organization and are excluded from this percentage. In addition to the netting amounts included in the table, we also have balance sheet netting related to resale and repurchase agreements that are disclosed within Note 14 (Guarantees, Pledged Assets and Collateral).

(in millions)	Gross amounts recognized	Gross amounts offset in consolidated balance sheet (1)	Net amounts in consolidated balance sheet (2)	Gross amounts not offset in consolidated balance sheet (Disclosure-only netting) (3)	Net amounts	Percent exchanged in over-the-counter market (4)
December 31, 2014						
Derivative assets						
Interest rate contracts	**$ 63,698**	**(56,051)**	**7,647**	**(769)**	**6,878**	**45%**
Commodity contracts	**7,461**	**(1,233)**	**6,228**	**(72)**	**6,156**	**27**
Equity contracts	**9,005**	**(2,842)**	**6,163**	**(405)**	**5,758**	**54**
Foreign exchange contracts	**7,404**	**(4,923)**	**2,481**	**(85)**	**2,396**	**98**
Credit contracts-protection sold	**151**	**(131)**	**20**	**—**	**20**	**90**
Credit contracts-protection purchased	**755**	**(689)**	**66**	**(1)**	**65**	**100**
Total derivative assets	**$ 88,474**	**(65,869)**	**22,605**	**(1,332)**	**21,273**	
Derivative liabilities						
Interest rate contracts	**$ 60,059**	**(54,394)**	**5,665**	**(4,244)**	**1,421**	**44%**
Commodity contracts	**7,702**	**(1,459)**	**6,243**	**(33)**	**6,210**	**81**
Equity contracts	**7,038**	**(2,845)**	**4,193**	**(484)**	**3,709**	**82**
Foreign exchange contracts	**7,827**	**(5,511)**	**2,316**	**(270)**	**2,046**	**100**
Credit contracts-protection sold	**943**	**(713)**	**230**	**(199)**	**31**	**100**
Credit contracts-protection purchased	**168**	**(121)**	**47**	**(18)**	**29**	**86**
Other contracts	**44**	**—**	**44**	**—**	**44**	**100**
Total derivative liabilities	**$ 83,781**	**(65,043)**	**18,738**	**(5,248)**	**13,490**	
December 31, 2013						
Derivative assets						
Interest rate contracts	$ 55,846	(48,271)	7,575	(1,101)	6,474	65 %
Commodity contracts	2,673	(659)	2,014	(72)	1,942	52
Equity contracts	7,824	(3,254)	4,570	(239)	4,331	81
Foreign exchange contracts	4,843	(3,567)	1,276	(9)	1,267	100
Credit contracts-protection sold	354	(302)	52	—	52	92
Credit contracts-protection purchased	1,147	(841)	306	(33)	273	100
Other contracts	13	—	13	—	13	100
Total derivative assets	$ 72,700	(56,894)	15,806	(1,454)	14,352	
Derivative liabilities						
Interest rate contracts	$ 56,538	(53,902)	2,636	(482)	2,154	66 %
Commodity contracts	2,603	(952)	1,651	(11)	1,640	73
Equity contracts	7,794	(3,502)	4,292	(124)	4,168	94
Foreign exchange contracts	4,508	(3,652)	856	—	856	100
Credit contracts-protection sold	1,532	(1,432)	100	—	100	100
Credit contracts-protection purchased	368	(299)	69	—	69	89
Other contracts	16	—	16	—	16	100
Total derivative liabilities	$ 73,359	(63,739)	9,620	(617)	9,003	

(1) Represents amounts with counterparties subject to enforceable master netting arrangements that have been offset in the consolidated balance sheet, including related cash collateral and portfolio level counterparty valuation adjustments. Counterparty valuation adjustments were $266 million and $236 million related to derivative assets and $56 million and $67 million related to derivative liabilities as of December 31, 2014 and 2013, respectively. Cash collateral totaled $5.2 billion and $4.6 billion, netted against derivative assets and liabilities, respectively, at December 31, 2014, and $4.3 billion and $11.3 billion, respectively, at December 31, 2013.

(2) Net derivative assets of $16.9 billion and $14.4 billion are classified in Trading assets as of December 31, 2014 and 2013, respectively. $5.7 billion and $1.4 billion are classified in Other assets in the consolidated balance sheet as of December 31, 2014 and 2013, respectively. Net derivative liabilities are classified in Accrued expenses and other liabilities in the consolidated balance sheet.

(3) Represents the fair value of non-cash collateral pledged and received against derivative assets and liabilities with the same counterparty that are subject to enforceable master netting arrangements. U.S. GAAP does not permit netting of such non-cash collateral balances in the consolidated balance sheet but requires disclosure of these amounts.

(4) Represents derivatives executed in over-the-counter markets not settled through a central clearing organization. Over-the-counter percentages are calculated based on Gross amounts recognized as of the respective balance sheet date. The remaining percentage represents derivatives settled through a central clearing organization, which are executed in either over-the-counter or exchange-traded markets.

Fair Value Hedges

We use interest rate swaps to convert certain of our fixed-rate long-term debt to floating rates to hedge our exposure to interest rate risk. We also enter into cross-currency swaps, cross-currency interest rate swaps and forward contracts to hedge our exposure to foreign currency risk and interest rate risk associated with the issuance of non-U.S. dollar denominated long-term debt. In addition, we use interest rate swaps, cross-currency swaps, cross-currency interest rate swaps and forward contracts to hedge against changes in fair value of certain investments in available-for-sale debt securities due to changes in interest rates, foreign currency rates, or both. We also use interest rate swaps to hedge against changes in fair value for certain mortgages held for sale. The entire derivative gain or loss is included in the assessment of hedge effectiveness for all fair value hedge relationships, except for those involving foreign-currency denominated available-for-sale securities and long-term debt hedged with foreign currency forward derivatives for which the time value component of the derivative gain or loss related to the changes in the difference between the spot and forward price is excluded from the assessment of hedge effectiveness.

We use statistical regression analysis to assess hedge effectiveness, both at inception of the hedging relationship and on an ongoing basis. The regression analysis involves regressing the periodic change in fair value of the hedging instrument against the periodic changes in fair value of the asset or liability being hedged due to changes in the hedged risk(s). The assessment includes an evaluation of the quantitative measures of the regression results used to validate the conclusion of high effectiveness.

The following table shows the net gains (losses) recognized in the income statement related to derivatives in fair value hedging relationships.

	Interest rate contracts hedging:			Foreign exchange contracts hedging:		Total net gains (losses) on fair value hedges
(in millions)	Available-for-sale securities	Mortgages held for sale	Long-term debt	Available-for-sale securities	Long-term debt	
Year ended December 31, 2014						
Net interest income (expense) recognized on derivatives	**$ (722)**	**(15)**	**1,843**	**(10)**	**308**	**1,404**
Gains (losses) recorded in noninterest income						
Recognized on derivatives	**(1,943)**	**(49)**	**3,623**	**391**	**(1,418)**	**604**
Recognized on hedged item	**1,911**	**32**	**(3,143)**	**(388)**	**1,490**	**(98)**
Net recognized on fair value hedges (ineffective portion) (1)	**$ (32)**	**(17)**	**480**	**3**	**72**	**506**
Year ended December 31, 2013						
Net interest income (expense) recognized on derivatives	$ (584)	(11)	1,632	(8)	280	1,309
Gains (losses) recorded in noninterest income						
Recognized on derivatives	1,889	47	(3,767)	(49)	(847)	(2,727)
Recognized on hedged item	(1,874)	(57)	3,521	49	722	2,361
Net recognized on fair value hedges (ineffective portion) (1)	$ 15	(10)	(246)	—	(125)	(366)
Year ended December 31, 2012						
Net interest income (expense) recognized on derivatives	$ (457)	(4)	1,685	(5)	248	1,467
Gains (losses) recorded in noninterest income						
Recognized on derivatives	(22)	(15)	(179)	39	567	390
Recognized on hedged item	17	6	233	(3)	(610)	(357)
Net recognized on fair value hedges (ineffective portion) (1)	$ (5)	(9)	54	36	(43)	33

(1) Included $(1) million, $(5) million and $(9) million, respectively, for years ended December 31, 2014, 2013, and 2012 of the time value component recognized as net interest income (expense) on forward derivatives hedging foreign currency available-for-sale securities and long-term debt that were excluded from the assessment of hedge effectiveness.

Cash Flow Hedges

We use interest rate swaps to hedge the variability in interest payments received on certain floating-rate commercial loans and paid on certain floating-rate debt due to changes in the benchmark interest rate. Gains and losses on derivatives that are reclassified from OCI to interest income (for loans) and interest expense (for debt) in the current period are included in the line item in which the hedged item's effect on earnings is recorded. All parts of gain or loss on these derivatives are included in the assessment of hedge effectiveness. We assess hedge effectiveness using regression analysis, both at inception of the hedging relationship and on an ongoing basis. The regression analysis involves regressing the periodic changes in cash flows of the hedging instrument against the periodic changes in cash flows of the forecasted transaction being hedged due to changes in the hedged risk(s). The assessment includes an evaluation of the quantitative measures of the regression results used to validate the conclusion of high effectiveness.

Based upon current interest rates, we estimate that $758 million (pre tax) of deferred net gains on derivatives in OCI at December 31, 2014, will be reclassified into net interest income during the next twelve months. Future changes to interest rates may significantly change actual amounts reclassified to earnings. We are hedging our exposure to the variability of future cash flows for all forecasted transactions for a maximum of 7 years.

The following table shows the net gains (losses) recognized related to derivatives in cash flow hedging relationships.

	Year ended December 31,		
(in millions)	2014	2013	2012
Gains (losses) (pre tax) recognized in OCI on derivatives	$ 952	(32)	52
Gains (pre tax) reclassified from cumulative OCI into net income (1)	545	296	388
Gains (losses) (pre tax) recognized in noninterest income for hedge ineffectiveness (2)	2	1	(1)

(1) See Note 23 (Other Comprehensive Income) for detail on components of net income.
(2) None of the change in value of the derivatives was excluded from the assessment of hedge effectiveness.

Derivatives Not Designated as Hedging Instruments

We use economic hedge derivatives primarily to hedge the risk of changes in the fair value of certain residential MHFS, certain loans held for investment, residential MSRs measured at fair value, derivative loan commitments and other interests held. The resulting gain or loss on these economic hedge derivatives is reflected in mortgage banking noninterest income, net gains (losses) from equity investments and other noninterest income.

The derivatives used to hedge MSRs measured at fair value, which include swaps, swaptions, constant maturity mortgages, forwards, Eurodollar and Treasury futures and options contracts, resulted in net derivative gains of $3.5 billion in 2014, net derivative losses of $2.9 billion in 2013 and net derivative gains of $3.6 billion in 2012, which are included in mortgage banking noninterest income. The aggregate fair value of these derivatives was a net asset of $492 million at December 31, 2014 and a net liability of $531 million at December 31, 2013. The change in fair value of these derivatives for each period end is due to changes in the underlying market indices and interest rates as well as the purchase and sale of derivative financial instruments throughout the period as part of our dynamic MSR risk management process.

Interest rate lock commitments for mortgage loans that we intend to sell are considered derivatives. Our interest rate exposure on these derivative loan commitments, as well as substantially all residential MHFS, is hedged with economic hedge derivatives such as swaps, forwards and options, Eurodollar futures and options, and Treasury futures, forwards and options contracts. The derivative loan commitments, economic hedge derivatives and residential MHFS are carried at fair value with changes in fair value included in mortgage banking noninterest income. For the fair value measurement of interest rate lock commitments we include, at inception and during the life of the loan commitment, the expected net future cash flows related to the associated servicing of the loan. Fair value changes subsequent to inception are based on changes in fair value of the underlying loan resulting from the exercise of the commitment and changes in the probability that the loan will not fund within the terms of the commitment (referred to as a fall-out factor). The value of the underlying loan is affected primarily by changes in interest rates and the passage of time. However, changes in investor demand can also cause changes in the value of the underlying loan value that cannot be hedged. The aggregate fair value of derivative loan commitments on the balance sheet was a net asset of $98 million and a net liability of $26 million at December 31, 2014 and December 31, 2013, respectively, and is included in the caption "Interest rate contracts" under "Customer accommodation, trading and other derivatives" in the first table in this Note.

We also enter into various derivatives primarily to provide derivative products to customers. These derivatives are not linked to specific assets and liabilities on the balance sheet or to forecasted transactions in an accounting hedge relationship and, therefore, do not qualify for hedge accounting. We also enter into derivatives for risk management that do not otherwise qualify for hedge accounting. They are carried at fair value with changes in fair value recorded as other noninterest income.

Customer accommodation, trading and other derivatives also include embedded derivatives that are required to be accounted for separately from their host contract. We periodically issue hybrid long-term notes and CDs where the performance of the hybrid instrument notes is linked to an equity, commodity or currency index, or basket of such indices. These notes contain explicit terms that affect some or all of the cash flows or the value of the note in a manner similar to a derivative instrument and therefore are considered to contain an "embedded" derivative instrument. The indices on which the performance of the hybrid instrument is calculated are not clearly and closely related to the host debt instrument. The "embedded" derivative is separated from the host contract and accounted for as a derivative. Additionally, we may invest in hybrid instruments that contain embedded derivatives, such as credit derivatives, that are not clearly and closely related to the host contract. In such instances, we either elect fair value option for the hybrid instrument or separate the embedded derivative from the host contract and account for the host contract and derivative separately.

The following table shows the net gains recognized in the income statement related to derivatives not designated as hedging instruments.

		Year ended December 31,		
(in millions)		**2014**	2013	2012
Net gains (losses) recognized on economic hedge derivatives:				
Interest rate contracts				
Recognized in noninterest income:				
Mortgage banking (1)	**$**	**1,759**	1,412	(1,882)
Other (2)		**(230)**	119	2
Equity contracts (3)		**(469)**	(317)	4
Foreign exchange contracts (2)		**758**	24	(53)
Credit contracts (2)		**(1)**	(6)	(15)
Subtotal		**1,817**	1,232	(1,944)
Net gains (losses) recognized on customer accommodation, trading and other derivatives:				
Interest rate contracts				
Recognized in noninterest income:				
Mortgage banking (4)		**1,350**	(561)	7,222
Other (5)		**(855)**	743	589
Commodity contracts (5)		**77**	324	(14)
Equity contracts (5)		**(719)**	(622)	(234)
Foreign exchange contracts (5)		**593**	746	501
Credit contracts (5)		**7**	(53)	(54)
Other (5)		**(39)**	—	—
Subtotal		**414**	577	8,010
Net gains recognized related to derivatives not designated as hedging instruments	**$**	**2,231**	1,809	6,066

(1) Predominantly mortgage banking noninterest income including gains (losses) on the derivatives used as economic hedges of MSRs measured at fair value, interest rate lock commitments and mortgages held for sale.
(2) Predominantly included in other noninterest income.
(3) Predominantly included in net gains (losses) from equity investments in noninterest income.
(4) Predominantly mortgage banking noninterest income including gains (losses) on interest rate lock commitments.
(5) Predominantly included in net gains from trading activities in noninterest income.

Credit Derivatives

Credit derivative contracts are arrangements whose value is derived from the transfer of credit risk of a reference asset or entity from one party (the purchaser of credit protection) to another party (the seller of credit protection). We use credit derivatives primarily to assist customers with their risk management objectives. We may also use credit derivatives in structured product transactions or liquidity agreements written to special purpose vehicles. The maximum exposure of sold credit derivatives is managed through posted collateral, purchased credit derivatives and similar products in order to achieve our desired credit risk profile. This credit risk management provides an ability to recover a significant portion of any amounts that would be paid under the sold credit derivatives. We would be required to perform under the noted credit derivatives in the event of default by the referenced obligors. Events of default include events such as bankruptcy, capital restructuring or lack of principal and/or interest payment. In certain cases, other triggers may exist, such as the credit downgrade of the referenced obligors or the inability of the special purpose vehicle for which we have provided liquidity to obtain funding.

The following table provides details of sold and purchased credit derivatives.

(in millions)	Fair value liability	Notional amount: Protection sold (A)	Protection sold - non-investment grade	Protection purchased with identical underlyings (B)	Net protection sold (A)-(B)	Other protection purchased	Range of maturities
December 31, 2014							
Credit default swaps on:							
Corporate bonds	**$ 23**	**6,344**	**2,904**	**4,894**	**1,450**	**2,831**	**2015 - 2021**
Structured products	**654**	**1,055**	**874**	**608**	**447**	**277**	**2017 - 2052**
Credit protection on:							
Default swap index	**—**	**1,659**	**292**	**777**	**882**	**1,042**	**2015 - 2019**
Commercial mortgage-backed securities index	**246**	**1,058**	**—**	**608**	**450**	**355**	**2047 - 2063**
Asset-backed securities index	**19**	**52**	**1**	**1**	**51**	**81**	**2045 - 2046**
Other	**1**	**2,136**	**2,136**	**—**	**2,136**	**5,185**	**2015 - 2025**
Total credit derivatives	**$ 943**	**12,304**	**6,207**	**6,888**	**5,416**	**9,771**	
December 31, 2013							
Credit default swaps on:							
Corporate bonds	$ 48	10,947	5,237	6,493	4,454	5,557	2014-2021
Structured products	1,091	1,553	1,245	894	659	389	2016-2052
Credit protection on:							
Default swap index	—	3,270	388	2,471	799	898	2014-2018
Commercial mortgage-backed securities index	344	1,106	1	535	571	535	2049-2052
Asset-backed securities index	48	55	—	1	54	87	2045-2046
Other	1	2,570	2,570	3	2,567	5,451	2014-2025
Total credit derivatives	$ 1,532	19,501	9,441	10,397	9,104	12,917	

Protection sold represents the estimated maximum exposure to loss that would be incurred under an assumed hypothetical circumstance, where the value of our interests and any associated collateral declines to zero, without any consideration of recovery or offset from any economic hedges. We believe this hypothetical circumstance to be an extremely remote possibility and accordingly, this required disclosure is not an indication of expected loss. The amounts under non-investment grade represent the notional amounts of those credit derivatives on which we have a higher risk of being required to perform under the terms of the credit derivative and are a function of the underlying assets.

We consider the risk of performance to be high if the underlying assets under the credit derivative have an external rating that is below investment grade or an internal credit default grade that is equivalent thereto. We believe the net protection sold, which is representative of the net notional amount of protection sold and purchased with identical underlyings, in combination with other protection purchased, is more representative of our exposure to loss than either non-investment grade or protection sold. Other protection purchased represents additional protection, which may offset the exposure to loss for protection sold, that was not purchased with an identical underlying of the protection sold.

Credit-Risk Contingent Features

Certain of our derivative contracts contain provisions whereby if the credit rating of our debt were to be downgraded by certain major credit rating agencies, the counterparty could demand additional collateral or require termination or replacement of derivative instruments in a net liability position. The aggregate fair value of all derivative instruments with such credit-risk-related contingent features that are in a net liability position was $13.6 billion at December 31, 2014, and $14.3 billion at December 31, 2013, respectively, for which we posted $10.5 billion and $12.2 billion, respectively, in collateral in the normal course of business. If the credit rating of our debt had been downgraded below investment grade, which is the credit-risk-related contingent feature that if triggered requires the maximum amount of collateral to be posted, on December 31, 2014, or December 31, 2013, we would have been required to post additional collateral of $3.1 billion or $2.5 billion, respectively, or potentially settle the contract in an amount equal to its fair value. Some contracts require that we provide more collateral than the fair value of derivatives that are in a net liability position if a downgrade occurs.

Counterparty Credit Risk

By using derivatives, we are exposed to counterparty credit risk if counterparties to the derivative contracts do not perform as expected. If a counterparty fails to perform, our counterparty credit risk is equal to the amount reported as a derivative asset on our balance sheet. The amounts reported as a derivative asset are derivative contracts in a gain position, and to the extent subject to legally enforceable master netting arrangements, net of derivatives in a loss position with the same counterparty and cash collateral received. We minimize counterparty credit risk through credit approvals, limits, monitoring procedures, executing master netting arrangements and obtaining collateral, where appropriate. To the extent the master netting arrangements and other criteria meet the applicable requirements, including determining the legal enforceability of the arrangement, it is our policy to present derivative balances and related cash collateral amounts net on the balance sheet. We incorporate credit valuation adjustments (CVA) to reflect counterparty credit risk in determining the fair value of our derivatives. Such adjustments, which consider the effects of enforceable master netting agreements and collateral arrangements, reflect market-based views of the credit quality of each counterparty. Our CVA calculation is determined based on observed credit spreads in the credit default swap market and indices indicative of the credit quality of the counterparties to our derivatives.

Note 17: Fair Values of Assets and Liabilities

We use fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Assets and liabilities recorded at fair value on a recurring basis are presented in the recurring table in this Note. From time to time, we may be required to record at fair value other assets on a nonrecurring basis, such as certain residential and commercial MHFS, certain LHFS, loans held for investment and certain other assets. These nonrecurring fair value adjustments typically involve application of lower-of-cost-or-market accounting or write-downs of individual assets.

Following is a discussion of the fair value hierarchy and the valuation methodologies used for assets and liabilities recorded at fair value on a recurring or nonrecurring basis and for estimating fair value for financial instruments not recorded at fair value.

Fair Value Hierarchy

We group our assets and liabilities measured at fair value in three levels based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets.
- Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3 – Valuation is generated from techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

In the determination of the classification of financial instruments in Level 2 or Level 3 of the fair value hierarchy, we consider all available information, including observable market data, indications of market liquidity and orderliness, and our understanding of the valuation techniques and significant inputs used. For securities in inactive markets, we use a predetermined percentage to evaluate the impact of fair value adjustments derived from weighting both external and internal indications of value to determine if the instrument is classified as Level 2 or Level 3. Otherwise, the classification of Level 2 or Level 3 is based upon the specific facts and circumstances of each instrument or instrument category and judgments are made regarding the significance of the Level 3 inputs to the instruments' fair value measurement in its entirety. If Level 3 inputs are considered significant, the instrument is classified as Level 3.

Assets

SHORT-TERM FINANCIAL ASSETS Short-term financial assets include cash and due from banks, federal funds sold and securities purchased under resale agreements and due from customers on acceptances. These assets are carried at historical cost. The carrying amount is a reasonable estimate of fair value because of the relatively short time between the origination of the instrument and its expected realization.

TRADING ASSETS (EXCLUDING DERIVATIVES) AND INVESTMENT SECURITIES Trading assets and available-for-sale securities are recorded at fair value on a recurring basis. Other investment securities classified as held-to-maturity are subject to impairment and fair value measurement if fair value declines below amortized cost and we do not expect to recover the entire amortized cost basis of the debt security. Fair value measurement is based upon various sources of market pricing. We use quoted prices in active markets, where available, and classify such instruments within Level 1 of the fair value hierarchy. Examples include exchange-traded equity securities and some highly liquid government securities, such as U.S. Treasuries. When instruments are traded in secondary markets and quoted market prices do not exist for such securities, we generally rely on internal valuation techniques or on prices obtained from vendors (predominantly third-party pricing services), and accordingly, we classify these instruments as Level 2 or 3.

Trading securities are mostly valued using internal trader prices that are subject to price verification procedures performed by separate internal personnel. The majority of fair values derived using internal valuation techniques are verified against multiple pricing sources, including prices obtained from third-party vendors. Vendors compile prices from various sources and often apply matrix pricing for similar securities when no price is observable. We review pricing methodologies provided by the vendors in order to determine if observable market information is being used versus unobservable inputs. When evaluating the appropriateness of an internal trader price compared with vendor prices, considerations include the range and quality of vendor prices. Vendor prices are used to ensure the reasonableness of a trader price; however valuing financial instruments involves judgments acquired from knowledge of a particular market. If a trader asserts that a vendor price is not reflective of market value, justification for using the trader price, including recent sales activity where possible, must be provided to and approved by the appropriate levels of management.

Similarly, while investment securities traded in secondary markets are typically valued using unadjusted vendor prices or vendor prices adjusted by weighting them with internal discounted cash flow techniques, these prices are reviewed and, if deemed inappropriate by a trader who has the most knowledge of a particular market, can be adjusted. Securities measured with these internal valuation techniques are generally classified as Level 2 of the hierarchy and often involve using quoted market prices for similar securities, pricing models, discounted cash flow analyses using significant inputs observable in the market where available or a combination of multiple valuation techniques. Examples include certain residential and commercial MBS, municipal bonds, U.S. government and agency MBS, and corporate debt securities.

Security fair value measurements using significant inputs that are unobservable in the market due to limited activity or a less liquid market are classified as Level 3 in the fair value hierarchy. Such measurements include securities valued using internal models or a combination of multiple valuation techniques, such as weighting of internal models and vendor pricing, where the unobservable inputs are significant to the overall fair value measurement. Securities classified as Level 3 include certain residential and commercial MBS, other asset-backed securities, CDOs and certain CLOs, and certain residual and retained interests in residential mortgage loan

securitizations. We value CDOs using the prices of similar instruments, the pricing of completed or pending third-party transactions or the pricing of the underlying collateral within the CDO. Where vendor prices are not readily available, we use management's best estimate.

MORTGAGES HELD FOR SALE (MHFS) We carry most of our residential MHFS portfolio at fair value. Fair value is based on quoted market prices, where available, or the prices for other mortgage whole loans with similar characteristics. As necessary, these prices are adjusted for typical securitization activities, including servicing value, portfolio composition, market conditions and liquidity. Most of our MHFS are classified as Level 2. For the portion where market pricing data is not available, we use a discounted cash flow model to estimate fair value and, accordingly, classify as Level 3.

LOANS HELD FOR SALE (LHFS) LHFS are carried at the lower of cost or market value or at fair value. The fair value of LHFS is based on what secondary markets are currently offering for loans with similar characteristics. As such, we classify those loans subjected to nonrecurring fair value adjustments as Level 2.

LOANS For information on how we report the carrying value of loans, including PCI loans, see Note 1 (Summary of Significant Accounting Policies). Although most loans are not recorded at fair value on a recurring basis, reverse mortgages are recorded at fair value on a recurring basis. In addition, we record nonrecurring fair value adjustments to loans to reflect partial write-downs that are based on the observable market price of the loan or current appraised value of the collateral.

We provide fair value estimates in this disclosure for loans that are not recorded at fair value on a recurring or nonrecurring basis. Those estimates differentiate loans based on their financial characteristics, such as product classification, loan category, pricing features and remaining maturity. Prepayment and credit loss estimates are evaluated by product and loan rate.

The fair value of commercial loans is calculated by discounting contractual cash flows, adjusted for credit loss estimates, using discount rates that are appropriate for loans with similar characteristics and remaining maturity. For real estate 1-4 family first and junior lien mortgages, we calculate fair value by discounting contractual cash flows, adjusted for prepayment and credit loss estimates, using discount rates based on current industry pricing (where readily available) or our own estimate of an appropriate discount rate for loans of similar size, type, remaining maturity and repricing characteristics.

The carrying value of credit card loans, which is adjusted for estimates of credit losses inherent in the portfolio at the balance sheet date, is reported as a reasonable estimate of fair value. For all other consumer loans, the fair value is generally calculated by discounting the contractual cash flows, adjusted for prepayment and credit loss estimates, based on the current rates we offer for loans with similar characteristics.

Loan commitments, standby letters of credit and commercial and similar letters of credit generate ongoing fees at our current pricing levels, which are recognized over the term of the commitment period. In situations where the credit quality of the counterparty to a commitment has declined, we record an allowance. A reasonable estimate of the fair value of these instruments is the carrying value of deferred fees adjusted for the related allowance. Certain letters of credit that are hedged with derivative instruments are carried at fair value in trading assets or liabilities. For those letters of credit, fair value is calculated based on readily quotable credit default spreads using a market risk credit default swap model.

DERIVATIVES Quoted market prices are available and used for our exchange-traded derivatives, such as certain interest rate futures and option contracts, which we classify as Level 1. However, substantially all of our derivatives are traded in over-the-counter (OTC) markets where quoted market prices are not always readily available. Therefore we value most OTC derivatives using internal valuation techniques. Valuation techniques and inputs to internally-developed models depend on the type of derivative and nature of the underlying rate, price or index upon which the derivative's value is based. Key inputs can include yield curves, credit curves, foreign-exchange rates, prepayment rates, volatility measurements and correlation of such inputs. Where model inputs can be observed in a liquid market and the model does not require significant judgment, such derivatives are typically classified as Level 2 of the fair value hierarchy. Examples of derivatives classified as Level 2 include generic interest rate swaps, foreign currency swaps, commodity swaps, and certain option and forward contracts. When instruments are traded in less liquid markets and significant inputs are unobservable, such derivatives are classified as Level 3. Examples of derivatives classified as Level 3 include complex and highly structured derivatives, certain credit default swaps, interest rate lock commitments written for our mortgage loans that we intend to sell and long dated equity options where volatility is not observable. Additionally, significant judgments are required when classifying financial instruments within the fair value hierarchy, particularly between Level 2 and 3, as is the case for certain derivatives.

MORTGAGE SERVICING RIGHT (MSRs) AND CERTAIN OTHER INTERESTS HELD IN SECURITIZATIONS MSRs and certain other interests held in securitizations (e.g., interest-only strips) do not trade in an active market with readily observable prices. Accordingly, we determine the fair value of MSRs using a valuation model that calculates the present value of estimated future net servicing income cash flows. The model incorporates assumptions that market participants use in estimating future net servicing income cash flows, including estimates of prepayment speeds (including housing price volatility), discount rates, default rates, cost to service (including delinquency and foreclosure costs), escrow account earnings, contractual servicing fee income, ancillary income and late fees. Commercial MSRs are carried at lower of cost or market value, and therefore can be subject to fair value measurements on a nonrecurring basis. Changes in the fair value of MSRs occur primarily due to the collection/realization of expected cash flows, as well as changes in valuation inputs and assumptions. For other interests held in securitizations (such as interest-only strips), we use a valuation model that calculates the present value of estimated future cash flows. The model incorporates our own estimates of assumptions market participants use in determining the fair value, including estimates of prepayment speeds, discount rates, defaults and contractual fee income. Interest-only strips are recorded as trading assets. Our valuation approach is validated by our internal valuation model validation group. Fair value measurements of our MSRs and interest-only strips use significant unobservable inputs and, accordingly, we classify them as Level 3.

FORECLOSED ASSETS Foreclosed assets are carried at net realizable value, which represents fair value less costs to sell. Fair value is generally based upon independent market prices or

appraised values of the collateral and, accordingly, we classify foreclosed assets as Level 2.

NONMARKETABLE EQUITY INVESTMENTS For certain equity securities that are not publicly traded, we have elected the fair value option and we use a market comparable pricing technique to estimate their fair value. The remaining nonmarketable equity investments include low income housing tax credit investments, Federal Reserve Bank and Federal Home Loan Bank (FHLB) stock, and private equity investments which are recorded under the cost or equity method of accounting. We estimate fair value to record other-than-temporary impairment write-downs on a nonrecurring basis. Additionally, we provide fair value estimates in this disclosure for cost method investments that are not measured at fair value on a recurring or nonrecurring basis.

Federal Bank stock carrying values approximate fair value. For the remaining cost or equity method investments for which we determine fair value, we estimate the fair value using all available information and consider the range of potential inputs including discounted cash flow models, transaction prices, trading multiples of comparable public companies, and entry level multiples. Where appropriate these metrics are adjusted to account for comparative differences with public companies, and for company-specific issues like liquidity or marketability. For investments in private equity funds, we use the NAV provided by the fund sponsor as a practical expedient to measure fair value. In some cases, such NAVs may require adjustments based on certain unobservable inputs.

Liabilities

DEPOSIT LIABILITIES Deposit liabilities are carried at historical cost. The fair value of deposits with no stated maturity, such as noninterest-bearing demand deposits, interest-bearing checking, and market rate and other savings, is equal to the amount payable on demand at the measurement date. The fair value of other time deposits is calculated based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently offered for like wholesale deposits with similar remaining maturities.

SHORT-TERM FINANCIAL LIABILITIES Short-term financial liabilities are carried at historical cost and include federal funds purchased and securities sold under repurchase agreements, commercial paper and other short-term borrowings. The carrying amount is a reasonable estimate of fair value because of the relatively short time between the origination of the instrument and its expected realization.

OTHER LIABILITIES Other liabilities recorded at fair value on a recurring basis, excluding derivative liabilities (see the "Derivatives" section for derivative liabilities), primarily include short sale liabilities. Short sale liabilities are predominantly classified as either Level 1 or Level 2, generally depending upon whether the underlying securities have readily obtainable quoted prices in active exchange markets.

LONG-TERM DEBT Long-term debt is generally carried at amortized cost. For disclosure, we are required to estimate the fair value of long-term debt and generally do so using the discounted cash flow method. Contractual cash flows are discounted using rates currently offered for new notes with similar remaining maturities and, as such, these discount rates include our current spread levels.

Level 3 Asset and Liability Valuation Processes

We generally determine fair value of our Level 3 assets and liabilities by using internally developed models and, to a lesser extent, prices obtained from vendors, which predominantly consist of third-party pricing services. Our valuation processes vary depending on which approach is utilized.

INTERNAL MODEL VALUATIONS Our internally developed models primarily use discounted cash flow techniques. Use of such techniques requires determining relevant inputs, some of which are unobservable. Unobservable inputs are generally derived from historic performance of similar assets or determined from previous market trades in similar instruments. These unobservable inputs usually consist of discount rates, default rates, loss severity upon default, volatilities, correlations and prepayment rates, which are inherent within our Level 3 instruments. Such inputs can be correlated to similar portfolios with known historic experience or recent trades where particular unobservable inputs may be implied, but due to the nature of various inputs being reflected within a particular trade, the value of each input is considered unobservable. We attempt to correlate each unobservable input to historic experience and other third-party data where available.

Internal valuation models are subject to review prescribed within our model risk management policies and procedures, which include model validation. The purpose of model validation includes ensuring the model is appropriate for its intended use and the appropriate controls exist to help mitigate risk of invalid valuations. Model validation assesses the adequacy and appropriateness of the model, including reviewing its key components, such as inputs, processing components, logic or theory, output results and supporting model documentation. Validation also includes ensuring significant unobservable model inputs are appropriate given observable market transactions or other market data within the same or similar asset classes. This ensures modeled approaches are appropriate given similar product valuation techniques and are in line with their intended purpose.

We have ongoing monitoring procedures in place for our Level 3 assets and liabilities that use such internal valuation models. These procedures, which are designed to provide reasonable assurance that models continue to perform as expected after approved, include:

- ongoing analysis and benchmarking to market transactions and other independent market data (including pricing vendors, if available);
- back-testing of modeled fair values to actual realized transactions; and
- review of modeled valuation results against expectations, including review of significant or unusual value fluctuations.

We update model inputs and methodologies periodically to reflect these monitoring procedures. Additionally, procedures and controls are in place to ensure existing models are subject to periodic reviews, and we perform full model revalidations as necessary.

All internal valuation models are subject to ongoing review by business-unit-level management, and all models are subject to additional oversight by a corporate-level risk management department. Corporate oversight responsibilities include evaluating the adequacy of business unit risk management programs, maintaining company-wide model validation policies and standards and reporting the results of these activities to management and our Corporate Model Risk Committee (CMoR). The CMoR consists of senior executive management and reports

on top model risk issues to the Company's Risk Committee of the Board.

VENDOR-DEVELOPED VALUATIONS In certain limited circumstances we obtain pricing from third-party vendors for the value of our Level 3 assets or liabilities. We have processes in place to approve such vendors to ensure information obtained and valuation techniques used are appropriate. Once these vendors are approved to provide pricing information, we monitor and review the results to ensure the fair values are reasonable and in line with market experience in similar asset classes. While the input amounts used by the pricing vendor in determining fair value are not provided, and therefore unavailable for our review, we do perform one or more of the following procedures to validate the prices received:

- comparison to other pricing vendors (if available);
- variance analysis of prices;
- corroboration of pricing by reference to other independent market data, such as market transactions and relevant benchmark indices;
- review of pricing by Company personnel familiar with market liquidity and other market-related conditions; and
- investigation of prices on a specific instrument-by-instrument basis.

Fair Value Measurements from Vendors

For certain assets and liabilities, we obtain fair value measurements from vendors, which predominantly consist of third-party pricing services, and record the unadjusted fair value in our financial statements. For instruments where we utilize vendor prices to record the price of an instrument, we perform additional procedures. We evaluate pricing vendors by comparing prices from one vendor to prices of other vendors for identical or similar instruments and evaluate the consistency of prices to known market transactions when determining the level of reliance to place on a particular pricing vendor. Methodologies employed, controls in place and inputs used by third-party pricing vendors are subject to additional review when such services are provided. This review may consist of, in part, obtaining and evaluating control reports issued and pricing methodology materials distributed.

The fair value measurements provided by brokers or third-party pricing services, and not adjusted by us, are shown by fair value hierarchy level in the table below. Fair value measurements obtained from brokers or third-party pricing services that we have adjusted to determine the fair value recorded in our financial statements are not included in the following table.

		Brokers			Third-party pricing services	
(in millions)	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
December 31, 2014						
Trading assets (excluding derivatives)	**$ —**	**—**	**—**	**2**	**105**	**—**
Available-for-sale securities:						
Securities of U.S. Treasury and federal agencies	**—**	**—**	**—**	**19,899**	**5,905**	**—**
Securities of U.S. states and political subdivisions	**—**	**—**	**—**	**—**	**42,666**	**61**
Mortgage-backed securities	**—**	**152**	**—**	**—**	**135,997**	**133**
Other debt securities (1)	**—**	**1,035**	**601**	**—**	**41,933**	**541**
Total debt securities	**—**	**1,187**	**601**	**19,899**	**226,501**	**735**
Total marketable equity securities	**—**	**—**	**—**	**—**	**569**	**—**
Total available-for-sale securities	**—**	**1,187**	**601**	**19,899**	**227,070**	**735**
Derivatives (trading and other assets)	**—**	**1**	**—**	**—**	**290**	**—**
Derivatives (liabilities)	**—**	**(1)**	**—**	**—**	**(292)**	**—**
Other liabilities	**—**	**—**	**—**	**—**	**(1)**	**—**
December 31, 2013						
Trading assets (excluding derivatives)	$ —	122	1	1,804	652	3
Available-for-sale securities:						
Securities of U.S. Treasury and federal agencies	—	—	—	557	5,723	—
Securities of U.S. states and political subdivisions	—	—	—	—	39,257	63
Mortgage-backed securities	—	621	—	—	148,074	180
Other debt securities (1)	—	1,537	722	—	44,681	746
Total debt securities	—	2,158	722	557	237,735	989
Total marketable equity securities	—	—	—	—	630	—
Total available-for-sale securities	—	2,158	722	557	238,365	989
Derivatives (trading and other assets)	—	5	—	—	417	3
Derivatives (liabilities)	—	(12)	—	—	(418)	—
Other liabilities	—	(115)	—	—	(36)	—

(1) Includes corporate debt securities, collateralized loan and other debt obligations, asset-backed securities, and other debt securities.

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The following two tables present the balances of assets and liabilities recorded at fair value on a recurring basis.

(in millions)	Level 1	Level 2	Level 3	Netting	Total
December 31, 2014					
Trading assets (excluding derivatives)					
Securities of U.S. Treasury and federal agencies	10,506	3,886	—	—	14,392
Securities of U.S. states and political subdivisions	—	1,537	7	—	1,544
Collateralized loan and other debt obligations (1)	—	274	445	—	719
Corporate debt securities	—	7,517	54	—	7,571
Mortgage-backed securities	—	16,273	—	—	16,273
Asset-backed securities	—	776	79	—	855
Equity securities	18,512	38	10	—	18,560
Total trading securities (2)	29,018	30,301	595	—	59,914
Other trading assets	—	1,398	55	—	1,453
Total trading assets (excluding derivatives)	29,018	31,699	650	—	61,367
Securities of U.S. Treasury and federal agencies	19,899	5,905	—	—	25,804
Securities of U.S. states and political subdivisions	—	42,667	2,277 (3)	—	44,944
Mortgage-backed securities:					
Federal agencies	—	110,089	—	—	110,089
Residential	—	9,245	24	—	9,269
Commercial	—	16,885	109	—	16,994
Total mortgage-backed securities	—	136,219	133	—	136,352
Corporate debt securities	83	14,451	252	—	14,786
Collateralized loan and other debt obligations (4)	—	24,274	1,087 (3)	—	25,361
Asset-backed securities:					
Auto loans and leases	—	31	245 (3)	—	276
Home equity loans	—	662	—	—	662
Other asset-backed securities	—	4,189	1,372 (3)	—	5,561
Total asset-backed securities	—	4,882	1,617	—	6,499
Other debt securities	—	20	—	—	20
Total debt securities	19,982	228,418	5,366	—	253,766
Marketable equity securities:					
Perpetual preferred securities (5)	468	569	663 (3)	—	1,700
Other marketable equity securities	1,952	24	—	—	1,976
Total marketable equity securities	2,420	593	663	—	3,676
Total available-for-sale securities	22,402	229,011	6,029	—	257,442
Mortgages held for sale	—	13,252	2,313	—	15,565
Loans held for sale	—	1	—	—	1
Loans	—	—	5,788	—	5,788
Mortgage servicing rights (residential)	—	—	12,738	—	12,738
Derivative assets:					
Interest rate contracts	27	63,306	365	—	63,698
Commodity contracts	—	7,438	23	—	7,461
Equity contracts	4,102	3,544	1,359	—	9,005
Foreign exchange contracts	65	7,339	—	—	7,404
Credit contracts	—	440	466	—	906
Other derivative contracts	—	—	—	—	—
Netting	—	—	—	(65,869) (6)	(65,869)
Total derivative assets (7)	4,194	82,067	2,213	(65,869)	22,605
Other assets	—	—	2,593	—	2,593
Total assets recorded at fair value	55,614	356,030	32,324	(65,869)	378,099
Derivative liabilities:					
Interest rate contracts	(29)	(59,958)	(72)	—	(60,059)
Commodity contracts	—	(7,680)	(22)	—	(7,702)
Equity contracts	(1,290)	(4,305)	(1,443)	—	(7,038)
Foreign exchange contracts	(60)	(7,767)	—	—	(7,827)
Credit contracts	—	(456)	(655)	—	(1,111)
Other derivative contracts	—	—	(44)	—	(44)
Netting	—	—	—	65,043 (6)	65,043
Total derivative liabilities (7)	(1,379)	(80,166)	(2,236)	65,043	(18,738)
Short sale liabilities:					
Securities of U.S. Treasury and federal agencies	(7,043)	(1,636)	—	—	(8,679)
Securities of U.S. states and political subdivisions	—	(26)	—	—	(26)
Corporate debt securities	—	(5,055)	—	—	(5,055)
Equity securities	(2,259)	(2)	—	—	(2,261)
Other securities	—	(73)	(6)	—	(79)
Total short sale liabilities	(9,302)	(6,792)	(6)	—	(16,100)
Other liabilities (excluding derivatives)	—	—	(28)	—	(28)
Total liabilities recorded at fair value	(10,681)	(86,958)	(2,270)	65,043	(34,866)

(1) The entire balance only consists of collateralized loan obligations.
(2) Net gains from trading activities recognized in the income statement for the year ended December 31, 2014 include $211 million in net unrealized gains on trading securities held at December 31, 2014.
(3) Balances consist of securities that are mostly investment grade based on ratings received from the ratings agencies or internal credit grades categorized as investment grade if external ratings are not available. The securities are classified as Level 3 due to limited market activity.
(4) Includes collateralized debt obligations of $500 million.
(5) Perpetual preferred securities include ARS and corporate preferred securities. See Note 8 (Securitizations and Variable Interest Entities) for additional information.
(6) Represents balance sheet netting of derivative asset and liability balances and related cash collateral. See Note 16 (Derivatives) for additional information.
(7) Derivative assets and derivative liabilities include contracts qualifying for hedge accounting, economic hedges, and derivatives included in trading assets and trading liabilities, respectively.

(continued on following page)

(continued from previous page)

(in millions)	Level 1	Level 2	Level 3	Netting	Total
December 31, 2013					
Trading assets (excluding derivatives)					
Securities of U.S. Treasury and federal agencies	8,301	3,669	—	—	11,970
Securities of U.S. states and political subdivisions	—	2,043	39	—	2,082
Collateralized loan and other debt obligations (1)	—	212	541	—	753
Corporate debt securities	—	7,052	53	—	7,105
Mortgage-backed securities	—	14,608	1	—	14,609
Asset-backed securities	—	487	122	—	609
Equity securities	5,908	87	13	—	6,008
Total trading securities (2)	14,209	28,158	769	—	43,136
Other trading assets	2,694	2,487	54	—	5,235
Total trading assets (excluding derivatives)	16,903	30,645	823	—	48,371
Securities of U.S. Treasury and federal agencies	557	5,723	—	—	6,280
Securities of U.S. states and political subdivisions	—	39,322	3,214 (3)	—	42,536
Mortgage-backed securities:					
Federal agencies	—	117,591	—	—	117,591
Residential	—	12,389	64	—	12,453
Commercial	—	18,609	138	—	18,747
Total mortgage-backed securities	—	148,589	202	—	148,791
Corporate debt securities	113	20,833	281	—	21,227
Collateralized loan and other debt obligations (4)	—	18,739	1,420 (3)	—	20,159
Asset-backed securities:					
Auto loans and leases	—	21	492 (3)	—	513
Home equity loans	—	843	—	—	843
Other asset-backed securities	—	6,577	1,657 (3)	—	8,234
Total asset-backed securities	—	7,441	2,149	—	9,590
Other debt securities	—	39	—	—	39
Total debt securities	670	240,686	7,266	—	248,622
Marketable equity securities:					
Perpetual preferred securities (5)	508	628	729 (3)	—	1,865
Other marketable equity securities	1,511	9	—	—	1,520
Total marketable equity securities	2,019	637	729	—	3,385
Total available-for-sale securities	2,689	241,323	7,995	—	252,007
Mortgages held for sale	—	11,505	2,374	—	13,879
Loans held for sale	—	1	—	—	1
Loans	—	272	5,723	—	5,995
Mortgage servicing rights (residential)	—	—	15,580	—	15,580
Derivative assets:					
Interest rate contracts	36	55,466	344	—	55,846
Commodity contracts	—	2,667	6	—	2,673
Equity contracts	1,522	4,221	2,081	—	7,824
Foreign exchange contracts	44	4,789	10	—	4,843
Credit contracts	—	782	719	—	1,501
Other derivative contracts	—	—	13	—	13
Netting	—	—	—	(56,894) (6)	(56,894)
Total derivative assets (7)	1,602	67,925	3,173	(56,894)	15,806
Other assets	—	—	1,503	—	1,503
Total assets recorded at fair value	21,194	351,671	37,171	(56,894)	353,142
Derivative liabilities:					
Interest rate contracts	(26)	(56,128)	(384)	—	(56,538)
Commodity contracts	—	(2,587)	(16)	—	(2,603)
Equity contracts	(449)	(5,218)	(2,127)	—	(7,794)
Foreign exchange contracts	(75)	(4,432)	(1)	—	(4,508)
Credit contracts	—	(806)	(1,094)	—	(1,900)
Other derivative contracts	—	—	(16)	—	(16)
Netting	—	—	—	63,739 (6)	63,739
Total derivative liabilities (7)	(550)	(69,171)	(3,638)	63,739	(9,620)
Short sale liabilities:					
Securities of U.S. Treasury and federal agencies	(4,311)	(2,063)	—	—	(6,374)
Securities of U.S. states and political subdivisions	—	(24)	—	—	(24)
Corporate debt securities	—	(4,683)	—	—	(4,683)
Equity securities	(1,788)	(48)	—	—	(1,836)
Other securities	—	(95)	—	—	(95)
Total short sale liabilities	(6,099)	(6,913)	—	—	(13,012)
Other liabilities (excluding derivatives)	—	—	(39)	—	(39)
Total liabilities recorded at fair value	(6,649)	(76,084)	(3,677)	63,739	(22,671)

(1) Includes collateralized debt obligations of $2 million.
(2) Net gains from trading activities recognized in the income statement for the year ended December 31, 2013 include $(29) million in net unrealized losses on trading securities held at December 31, 2013.
(3) Balances consist of securities that are predominantly investment grade based on ratings received from the ratings agencies or internal credit grades categorized as investment grade if external ratings are not available. The securities are classified as Level 3 due to limited market activity.
(4) Includes collateralized debt obligations of $693 million.
(5) Perpetual preferred securities include ARS and corporate preferred securities. See Note 8 (Securitizations and Variable Interest Entities) for additional information.
(6) Represents balance sheet netting of derivative asset and liability balances and related cash collateral. See Note 16 (Derivatives) for additional information.
(7) Derivative assets and derivative liabilities include contracts qualifying for hedge accounting, economic hedges, and derivatives included in trading assets and trading liabilities, respectively.

Changes in Fair Value Levels

We monitor the availability of observable market data to assess the appropriate classification of financial instruments within the fair value hierarchy and transfer between Level 1, Level 2, and Level 3 accordingly. Observable market data includes but is not limited to quoted prices and market transactions. Changes in economic conditions or market liquidity generally will drive changes in availability of observable market data. Changes in availability of observable market data, which also may result in changing the valuation technique used, are generally the cause of transfers between Level 1, Level 2, and Level 3.

Transfers into and out of Level 1, Level 2, and Level 3 for the periods presented are provided within the following table. The amounts reported as transfers represent the fair value as of the beginning of the quarter in which the transfer occurred.

	Transfers Between Fair Value Levels						
	Level 1		Level 2		Level 3 (1)		
(in millions)	In	Out	In	Out	In	Out	Total
Year ended December 31, 2014							
Trading assets (excluding derivatives)	**$ —**	**(11)**	**70**	**(31)**	**31**	**(59)**	**—**
Available-for-sale securities	**—**	**(8)**	**370**	**(148)**	**148**	**(362)**	**—**
Mortgages held for sale	**—**	**—**	**229**	**(440)**	**440**	**(229)**	**—**
Loans	**—**	**—**	**49**	**(270)**	**270**	**(49)**	**—**
Net derivative assets and liabilities (2)	**—**	**—**	**(134)**	**20**	**(20)**	**134**	**—**
Short sale liabilities	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total transfers	**$ —**	**(19)**	**584**	**(869)**	**869**	**(565)**	**—**
Year ended December 31, 2013							
Trading assets (excluding derivatives) (3)	$ —	(242)	535	(56)	52	(289)	—
Available-for-sale securities (3)(4)	17	—	12,830	(117)	100	(12,830)	—
Mortgages held for sale	—	—	343	(336)	336	(343)	—
Loans	—	—	193	—	—	(193)	—
Net derivative assets and liabilities (2)	—	—	(142)	13	(13)	142	—
Short sale liabilities	—	—	—	—	—	—	—
Total transfers	$ 17	(242)	13,759	(496)	475	(13,513)	—
Year ended December 31, 2012							
Trading assets (excluding derivatives)	$ 23	—	16	(37)	14	(16)	—
Available-for-sale securities (5)	8	—	9,832	(68)	60	(9,832)	—
Mortgages held for sale	—	—	298	(488)	488	(298)	—
Loans (6)	—	—	41	(5,851)	5,851	(41)	—
Net derivative assets and liabilities	—	—	51	8	(8)	(51)	—
Short sale liabilities	—	—	—	—	—	—	—
Total transfers	$ 31	—	10,238	(6,436)	6,405	(10,238)	—

(1) All transfers in and out of Level 3 are disclosed within the recurring Level 3 rollforward table in this Note.
(2) Consists of net derivative liabilities that were transferred from Level 3 to Level 2 due to increased observable market data. Also includes net derivative liabilities that were transferred from Level 2 to Level 3 due to a decrease in observable market data.
(3) Consists of $231 million of collateralized loan obligations classified as trading assets and $12.5 billion classified as available-for-sale securities that we transferred from Level 3 to Level 2 in 2013 as a result of increased observable market data in the valuation of such instruments.
(4) Transfers out of available-for-sale securities classified as Level 3 exclude $6.0 billion in asset-backed securities that were transferred from the available-for-sale portfolio to held-to-maturity securities.
(5) Includes $9.4 billion of securities of U.S. states and political subdivisions that we transferred from Level 3 to Level 2 as a result of increased observable market data in the valuation of such instruments. This transfer was done in conjunction with a change in our valuation technique from an internal model based upon unobservable inputs to third-party vendor pricing based upon market observable data.
(6) Consists of reverse mortgage loans securitized with GNMA which were accounted for as secured borrowing transactions. We transferred the loans from Level 2 to Level 3 due to decreased market activity and visibility to significant trades of the same or similar products. As a result, we changed our valuation technique from an internal model based on market observable data to an internal discounted cash flow model based on unobservable inputs.

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the year ended December 31, 2014, are summarized as follows:

(in millions)	Balance, beginning of period	Total net gains (losses) included in: Net income	Total net gains (losses) included in: Other comprehensive income	Purchases, sales, issuances and settlements, net (1)	Transfers into Level 3	Transfers out of Level 3	Balance, end of period	Net unrealized gains (losses) included in income related to assets and liabilities held at period end	(2)
Year ended December 31, 2014									
Trading assets (excluding derivatives):									
Securities of U.S. states and political subdivisions	$ 39	1	—	(2)	—	(31)	7	—	
Collateralized loan and other debt obligations	541	36	—	(121)	4	(15)	445	(48)	
Corporate debt securities	53	—	—	(21)	26	(4)	54	1	
Mortgage-backed securities	1	—	—	2	—	(3)	—	—	
Asset-backed securities	122	32	—	(70)	—	(5)	79	32	
Equity securities	13	—	—	(3)	—	—	10	—	
Total trading securities	769	69	—	(215)	30	(58)	595	(15)	
Other trading assets	54	(10)	—	11	1	(1)	55	(1)	
Total trading assets (excluding derivatives)	823	59	—	(204)	31	(59)	650	(16)	(3)
Available-for-sale securities:									
Securities of U.S. states and political subdivisions	3,214	21	(86)	(569)	59	(362)	2,277	(2)	
Mortgage-backed securities:									
Residential	64	11	(5)	(46)	—	—	24	—	
Commercial	138	9	(1)	(37)	—	—	109	(4)	
Total mortgage-backed securities	202	20	(6)	(83)	—	—	133	(4)	
Corporate debt securities	281	25	(25)	(29)	—	—	252	—	
Collateralized loan and other debt obligations	1,420	117	(47)	(403)	—	—	1,087	(2)	
Asset-backed securities:									
Auto loans and leases	492	—	(33)	(214)	—	—	245	—	
Home equity loans	—	—	—	—	—	—	—	—	
Other asset-backed securities	1,657	5	(6)	(373)	89	—	1,372	—	
Total asset-backed securities	2,149	5	(39)	(587)	89	—	1,617	—	
Total debt securities	7,266	188	(203)	(1,671)	148	(362)	5,366	(8)	(4)
Marketable equity securities:									
Perpetual preferred securities	729	8	(29)	(45)	—	—	663	—	
Other marketable equity securities	—	4	—	(4)	—	—	—	—	
Total marketable equity securities	729	12	(29)	(49)	—	—	663	—	(5)
Total available-for-sale securities	7,995	200	(232)	(1,720)	148	(362)	6,029	(8)	
Mortgages held for sale	2,374	4	—	(276)	440	(229)	2,313	7	(6)
Loans	5,723	(52)	—	(104)	270	(49)	5,788	(32)	(6)
Mortgage servicing rights (residential) (7)	15,580	(4,031)	—	1,189	—	—	12,738	(2,122)	(6)
Net derivative assets and liabilities:									
Interest rate contracts	(40)	1,588	—	(1,255)	—	—	293	317	
Commodity contracts	(10)	(21)	—	(2)	(3)	37	1	(1)	
Equity contracts	(46)	96	—	(214)	(17)	97	(84)	(42)	
Foreign exchange contracts	9	5	—	(14)	—	—	—	—	
Credit contracts	(375)	26	—	160	—	—	(189)	(38)	
Other derivative contracts	(3)	(41)	—	—	—	—	(44)	(40)	
Total derivative contracts	(465)	1,653	—	(1,325)	(20)	134	(23)	196	(8)
Other assets	1,503	514	—	576	—	—	2,593	(8)	(3)
Short sale liabilities	—	1	—	(7)	—	—	(6)	1	(3)
Other liabilities (excluding derivatives)	(39)	(10)	—	21	—	—	(28)	(1)	(6)

(1) See next page for detail.
(2) Represents only net gains (losses) that are due to changes in economic conditions and management's estimates of fair value and excludes changes due to the collection/realization of cash flows over time.
(3) Included in net gains (losses) from trading activities and other noninterest income in the income statement.
(4) Included in net gains (losses) from debt securities in the income statement.
(5) Included in net gains (losses) from equity investments in the income statement.
(6) Included in mortgage banking and other noninterest income in the income statement.
(7) For more information on the changes in mortgage servicing rights, see Note 9 (Mortgage Banking Activities).
(8) Included in mortgage banking, trading activities, equity investments and other noninterest income in the income statement.

(continued on following page)

Note 17: Fair Values of Assets and Liabilities *(continued)*

(continued from previous page)

The following table presents gross purchases, sales, issuances and settlements related to the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the year ended December 31, 2014.

(in millions)	Purchases	Sales	Issuances	Settlements	Net
Year ended December 31, 2014					
Trading assets (excluding derivatives):					
Securities of U.S. states and political subdivisions	$ 10	(12)	—	—	(2)
Collateralized loan and other debt obligations	1,057	(1,174)	—	(4)	(121)
Corporate debt securities	85	(106)	—	—	(21)
Mortgage-backed securities	3	(1)	—	—	2
Asset-backed securities	17	(47)	—	(40)	(70)
Equity securities	—	—	—	(3)	(3)
Total trading securities	1,172	(1,340)	—	(47)	(215)
Other trading assets	11	(1)	1	—	11
Total trading assets (excluding derivatives)	1,183	(1,341)	1	(47)	(204)
Available-for-sale securities:					
Securities of U.S. states and political subdivisions	73	(144)	336	(834)	(569)
Mortgage-backed securities:					
Residential	—	(44)	—	(2)	(46)
Commercial	—	(31)	—	(6)	(37)
Total mortgage-backed securities	—	(75)	—	(8)	(83)
Corporate debt securities	21	(32)	10	(28)	(29)
Collateralized loan and other debt obligations	134	(34)	—	(503)	(403)
Asset-backed securities:					
Auto loans and leases	—	—	—	(214)	(214)
Home equity loans	—	—	—	—	—
Other asset-backed securities	117	(16)	522	(996)	(373)
Total asset-backed securities	117	(16)	522	(1,210)	(587)
Total debt securities	345	(301)	868	(2,583)	(1,671)
Marketable equity securities:					
Perpetual preferred securities	—	—	—	(45)	(45)
Other marketable equity securities	—	(4)	—	—	(4)
Total marketable equity securities	—	(4)	—	(45)	(49)
Total available-for-sale securities	345	(305)	868	(2,628)	(1,720)
Mortgages held for sale	208	(276)	167	(375)	(276)
Loans	76	—	438	(618)	(104)
Mortgage servicing rights (residential)	—	(7)	1,196	—	1,189
Net derivative assets and liabilities:					
Interest rate contracts	—	—	—	(1,255)	(1,255)
Commodity contracts	—	—	—	(2)	(2)
Equity contracts	—	(116)	—	(98)	(214)
Foreign exchange contracts	—	—	—	(14)	(14)
Credit contracts	3	(2)	—	159	160
Other derivative contracts	—	—	—	—	—
Total derivative contracts	3	(118)	—	(1,210)	(1,325)
Other assets	608	(1)	—	(31)	576
Short sale liabilities	20	(27)	—	—	(7)
Other liabilities (excluding derivatives)	—	—	—	21	21

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the year ended December 31, 2013, are summarized as follows:

(in millions)	Balance, beginning of period	Total net gains (losses) included in: Net income	Total net gains (losses) included in: Other comprehensive income	Purchases, sales, issuances and settlements, net (1)	Transfers into Level 3	Transfers out of Level 3	Balance, end of period	Net unrealized gains (losses) included in income related to assets and liabilities held at period end	(2)
Year ended December 31, 2013									
Trading assets (excluding derivatives):									
Securities of U.S. states and political subdivisions	$ 46	3	—	(10)	—	—	39	—	
Collateralized loan and other debt obligations	742	67	—	(37)	—	(231)	541	(33)	
Corporate debt securities	52	9	—	(1)	13	(20)	53	6	
Mortgage-backed securities	6	1	—	9	—	(15)	1	1	
Asset-backed securities	138	16	—	(35)	25	(22)	122	15	
Equity securities	3	—	—	(3)	13	—	13	—	
Total trading securities	987	96	—	(77)	51	(288)	769	(11)	
Other trading assets	76	(22)	—	—	1	(1)	54	(8)	
Total trading assets (excluding derivatives)	1,063	74	—	(77)	52	(289)	823	(19)	(3)
Available-for-sale securities:									
Securities of U.S. states and political subdivisions	3,631	11	(85)	(182)	53	(214)	3,214	—	
Mortgage-backed securities:									
Residential	94	17	(1)	(40)	—	(6)	64	—	
Commercial	203	(13)	28	(58)	—	(22)	138	(8)	
Total mortgage-backed securities	297	4	27	(98)	—	(28)	202	(8)	
Corporate debt securities	274	10	(10)	(13)	23	(3)	281	—	
Collateralized loan and other debt obligations	13,188	8	124	625	—	(12,525)	1,420	—	
Asset-backed securities:									
Auto loans and leases	5,921	(1)	(34)	(1,067)	—	(4,327)	492	—	
Home equity loans	51	3	(1)	(5)	—	(48)	—	—	
Other asset-backed securities	3,283	27	19	31	24	(1,727)	1,657	(7)	
Total asset-backed securities	9,255	29	(16)	(1,041)	24	(6,102)	2,149	(7)	(4)
Total debt securities	26,645	62	40	(709)	100	(18,872)	7,266	(15)	(5)
Marketable equity securities:									
Perpetual preferred securities	794	10	(2)	(73)	—	—	729	—	
Other marketable equity securities	—	—	—	—	—	—	—	—	
Total marketable equity securities	794	10	(2)	(73)	—	—	729	—	(6)
Total available-for-sale securities	27,439	72	38	(782)	100	(18,872)	7,995	(15)	
Mortgages held for sale	3,250	5	—	(874)	336	(343)	2,374	(74)	(7)
Loans	6,021	(211)	—	106	—	(193)	5,723	(178)	(7)
Mortgage servicing rights (residential) (8)	11,538	1,156	—	2,886	—	—	15,580	3,398	(7)
Net derivative assets and liabilities:									
Interest rate contracts	659	(662)	—	(39)	—	2	(40)	(186)	
Commodity contracts	21	—	—	(66)	(1)	36	(10)	(19)	
Equity contracts	(122)	(151)	—	137	(14)	104	(46)	48	
Foreign exchange contracts	21	(15)	—	1	2	—	9	(8)	
Credit contracts	(1,150)	(30)	—	805	—	—	(375)	345	
Other derivative contracts	(78)	75	—	—	—	—	(3)	—	
Total derivative contracts	(649)	(783)	—	838	(13)	142	(465)	180	(9)
Other assets	162	315	—	1,026	—	—	1,503	(2)	(3)
Short sale liabilities	—	—	—	—	—	—	—	—	(3)
Other liabilities (excluding derivatives)	(49)	3	—	7	—	—	(39)	5	(7)

(1) See next page for detail.
(2) Represents only net gains (losses) that are due to changes in economic conditions and management's estimates of fair value and excludes changes due to the collection/realization of cash flows over time.
(3) Included in net gains (losses) from trading activities and other noninterest income in the income statement.
(4) Level 3 transfers out include $6.0 billion in asset-backed securities that were transferred from the available-for-sale portfolio to held-to-maturity securities.
(5) Included in net gains (losses) from debt securities in the income statement.
(6) Included in net gains (losses) from equity investments in the income statement.
(7) Included in mortgage banking and other noninterest income in the income statement.
(8) For more information on the changes in mortgage servicing rights, see Note 9 (Mortgage Banking Activities).
(9) Included in mortgage banking, trading activities, equity investments and other noninterest income in the income statement.

(continued on following page)

Note 17: Fair Values of Assets and Liabilities *(continued)*

(continued from previous page)

The following table presents gross purchases, sales, issuances and settlements related to the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the year ended December 31, 2013.

(in millions)	Purchases	Sales	Issuances	Settlements	Net
Year ended December 31, 2013					
Trading assets (excluding derivatives):					
Securities of U.S. states and political subdivisions	$ 127	(136)	—	(1)	(10)
Collateralized loan and other debt obligations	1,030	(1,064)	—	(3)	(37)
Corporate debt securities	117	(117)	—	(1)	(1)
Mortgage-backed securities	429	(420)	—	—	9
Asset-backed securities	53	(45)	—	(43)	(35)
Equity securities	—	(3)	—	—	(3)
Total trading securities	1,756	(1,785)	—	(48)	(77)
Other trading assets	—	—	—	—	—
Total trading assets (excluding derivatives)	1,756	(1,785)	—	(48)	(77)
Available-for-sale securities:					
Securities of U.S. states and political subdivisions	—	(69)	648	(761)	(182)
Mortgage-backed securities:					
Residential	—	(37)	—	(3)	(40)
Commercial	—	(1)	—	(57)	(58)
Total mortgage-backed securities	—	(38)	—	(60)	(98)
Corporate debt securities	—	—	20	(33)	(13)
Collateralized loan and other debt obligations	1,008	(14)	—	(369)	625
Asset-backed securities:					
Auto loans and leases	1,751	—	1,047	(3,865)	(1,067)
Home equity loans	—	(5)	—	—	(5)
Other asset-backed securities	1,164	(36)	1,116	(2,213)	31
Total asset-backed securities	2,915	(41)	2,163	(6,078)	(1,041)
Total debt securities	3,923	(162)	2,831	(7,301)	(709)
Marketable equity securities:					
Perpetual preferred securities	—	(20)	—	(53)	(73)
Other marketable equity securities	—	—	—	—	—
Total marketable equity securities	—	(20)	—	(53)	(73)
Total available-for-sale securities	3,923	(182)	2,831	(7,354)	(782)
Mortgages held for sale	286	(574)	—	(586)	(874)
Loans	23	—	452	(369)	106
Mortgage servicing rights (residential)	—	(583)	3,469	—	2,886
Net derivative assets and liabilities:					
Interest rate contracts	—	—	—	(39)	(39)
Commodity contracts	—	—	—	(66)	(66)
Equity contracts	—	(148)	—	285	137
Foreign exchange contracts	—	—	—	1	1
Credit contracts	7	(5)	(4)	807	805
Other derivative contracts	—	—	—	—	—
Total derivative contracts	7	(153)	(4)	988	838
Other assets	1,064	(2)	—	(36)	1,026
Short sale liabilities	8	(8)	—	—	—
Other liabilities (excluding derivatives)	—	—	(4)	11	7

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the year ended December 31, 2012 are summarized as follows:

(in millions)	Balance, beginning of period	Total net gains (losses) included in: Net income	Total net gains (losses) included in: Other comprehensive income	Purchases, sales, issuances and settlements, net (1)	Transfers into Level 3	Transfers out of Level 3	Balance, end of period	Net unrealized gains (losses) included in income related to assets and liabilities held at period end (2)	
Year ended December 31, 2012									
Trading assets (excluding derivatives):									
Securities of U.S. states and political subdivisions	$ 53	3	—	(10)	—	—	46	—	
Collateralized loan and other debt obligations	1,582	(191)	—	(649)	—	—	742	(47)	
Corporate debt securities	97	—	—	(45)	—	—	52	(3)	
Mortgage-backed securities	108	8	—	(110)	—	—	6	2	
Asset-backed securities	190	48	—	(98)	14	(16)	138	23	
Equity securities	4	—	—	(1)	—	—	3	—	
Total trading securities	2,034	(132)	—	(913)	14	(16)	987	(25)	
Other trading assets	115	(39)	—	—	—	—	76	(19)	
Total trading assets (excluding derivatives)	2,149	(171)	—	(913)	14	(16)	1,063	(44)	(3)
Available-for-sale securities:									
Securities of U.S. states and political subdivisions	11,516	10	160	1,347	—	(9,402)	3,631	—	
Mortgage-backed securities:									
Residential	61	12	16	50	29	(74)	94	(1)	
Commercial	232	(56)	57	(30)	—	—	203	(56)	
Total mortgage-backed securities	293	(44)	73	20	29	(74)	297	(57)	
Corporate debt securities	295	20	19	(20)	1	(41)	274	—	
Collateralized loan and other debt obligations	8,599	135	514	3,940	—	—	13,188	—	
Asset-backed securities:									
Auto loans and leases	6,641	3	3	(726)	—	—	5,921	—	
Home equity loans	282	15	14	(3)	29	(286)	51	(1)	
Other asset-backed securities	2,863	(29)	148	329	1	(29)	3,283	(6)	
Total asset-backed securities	9,786	(11)	165	(400)	30	(315)	9,255	(7)	
Total debt securities	30,489	110	931	4,887	60	(9,832)	26,645	(64)	(4)
Marketable equity securities:									
Perpetual preferred securities	1,344	91	(30)	(611)	—	—	794	—	
Other marketable equity securities	23	2	(16)	(9)	—	—	—	—	
Total marketable equity securities	1,367	93	(46)	(620)	—	—	794	—	(5)
Total available-for-sale securities	31,856	203	885	4,267	60	(9,832)	27,439	(64)	
Mortgages held for sale	3,410	(42)	—	(308)	488	(298)	3,250	(30)	(6)
Loans	23	43	—	145	5,851	(41)	6,021	43	(6)
Mortgage servicing rights (residential) (7)	12,603	(5,954)	—	4,889	—	—	11,538	(2,893)	(6)
Net derivative assets and liabilities:									
Interest rate contracts	609	7,397	—	(7,349)	—	2	659	562	
Commodity contracts	—	78	—	(50)	(8)	1	21	40	
Equity contracts	(75)	(11)	—	18	—	(54)	(122)	(16)	
Foreign exchange contracts	(7)	23	—	5	—	—	21	30	
Credit contracts	(1,998)	38	—	810	—	—	(1,150)	41	
Other derivative contracts	(117)	40	(1)	—	—	—	(78)	—	
Total derivative contracts	(1,588)	7,565	(1)	(6,566)	(8)	(51)	(649)	657	(8)
Other assets	244	(21)	—	(61)	—	—	162	(8)	(3)
Short sale liabilities	—	—	—	—	—	—	—	—	(3)
Other liabilities (excluding derivatives)	(44)	(43)	—	38	—	—	(49)	—	(6)

(1) See next page for detail.
(2) Represents only net gains (losses) that are due to changes in economic conditions and management's estimates of fair value and excludes changes due to the collection/realization of cash flows over time.
(3) Included in net gains (losses) from trading activities and other noninterest income in the income statement.
(4) Included in net gains (losses) from debt securities in the income statement.
(5) Included in net gains (losses) from equity investments in the income statement.
(6) Included in mortgage banking and other noninterest income in the income statement.
(7) For more information on the change in mortgage servicing rights, see Note 9 (Mortgage Banking Activities).
(8) Included in mortgage banking, trading activities and other noninterest income in the income statement.

(continued on following page)

Note 17: Fair Values of Assets and Liabilities *(continued)*

(continued from previous page)

The following table presents gross purchases, sales, issuances and settlements related to the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the year ended December 31, 2012.

(in millions)	Purchases	Sales	Issuances	Settlements	Net
Year ended December 31, 2012					
Trading assets (excluding derivatives):					
Securities of U.S. states and political subdivisions	$ 85	(95)	—	—	(10)
Collateralized loan and other debt obligations	829	(1,478)	—	—	(649)
Corporate debt securities	192	(237)	—	—	(45)
Mortgage-backed securities	49	(159)	—	—	(110)
Asset-backed securities	116	(169)	—	(45)	(98)
Equity securities	1	(2)	—	—	(1)
Total trading securities	1,272	(2,140)	—	(45)	(913)
Other trading assets	—	—	—	—	—
Total trading assets (excluding derivatives)	1,272	(2,140)	—	(45)	(913)
Available-for-sale securities:					
Securities of U.S. states and political subdivisions	1,847	(37)	1,011	(1,474)	1,347
Mortgage-backed securities:					
Residential	86	(34)	—	(2)	50
Commercial	39	—	—	(69)	(30)
Total mortgage-backed securities	125	(34)	—	(71)	20
Corporate debt securities	26	(37)	—	(9)	(20)
Collateralized loan and other debt obligations	5,608	(185)	—	(1,483)	3,940
Asset-backed securities:					
Auto loans and leases	3,004	—	666	(4,396)	(726)
Home equity loans	—	(2)	—	(1)	(3)
Other asset-backed securities	2,074	(159)	1,401	(2,987)	329
Total asset-backed securities	5,078	(161)	2,067	(7,384)	(400)
Total debt securities	12,684	(454)	3,078	(10,421)	4,887
Marketable equity securities:					
Perpetual preferred securities	—	—	—	(611)	(611)
Other marketable equity securities	—	(8)	—	(1)	(9)
Total marketable equity securities	—	(8)	—	(612)	(620)
Total available-for-sale securities	12,684	(462)	3,078	(11,033)	4,267
Mortgages held for sale	441	—	—	(749)	(308)
Loans	2	—	257	(114)	145
Mortgage servicing rights (residential)	—	(293)	5,182	—	4,889
Net derivative assets and liabilities:					
Interest rate contracts	11	—	—	(7,360)	(7,349)
Commodity contracts	—	(2)	—	(48)	(50)
Equity contracts	386	(375)	1	6	18
Foreign exchange contracts	2	(3)	—	6	5
Credit contracts	(6)	3	—	813	810
Other derivative contracts	—	—	—	—	—
Total derivative contracts	393	(377)	1	(6,583)	(6,566)
Other assets	19	(8)	—	(72)	(61)
Short sale liabilities	9	(9)	—	—	—
Other liabilities (excluding derivatives)	(3)	11	(216)	246	38

The following table provides quantitative information about the valuation techniques and significant unobservable inputs used in the valuation of substantially all of our Level 3 assets and liabilities measured at fair value on a recurring basis for which we use an internal model.

The significant unobservable inputs for Level 3 assets and liabilities that are valued using fair values obtained from third-party vendors are not included in the table as the specific inputs applied are not provided by the vendor (see discussion regarding vendor-developed valuations within the "Level 3 Asset and Liability Valuation Processes" section previously within this Note). In addition, the table excludes the valuation techniques and significant unobservable inputs for certain classes of Level 3 assets and liabilities measured using an internal model that we consider, both individually and in the aggregate, insignificant relative to our overall Level 3 assets and liabilities. We made this determination based upon an evaluation of each class which considered the magnitude of the positions, nature of the unobservable inputs and potential for significant changes in fair value due to changes in those inputs.

($ in millions, except cost to service amounts)	Fair Value Level 3		Valuation Technique(s)	Significant Unobservable Input	Range of Inputs			Weighted Average (1)
December 31, 2014								
Trading and available-for-sale securities:								
Securities of U.S. states and political subdivisions:								
Government, healthcare and other revenue bonds	$ 1,900		Discounted cash flow	Discount rate	0.4	- 5.6	%	1.5
	61		Vendor priced					
Auction rate securities and other municipal bonds	323		Discounted cash flow	Discount rate	1.5	- 7.6		3.9
				Weighted average life	1.3	- 19.4	yrs	6.4
Collateralized loan and other debt obligations (2)	565		Market comparable pricing	Comparability adjustment	(53.9)	- 25.0	%	0.9
	967		Vendor priced					
Asset-backed securities:								
Auto loans and leases	245		Discounted cash flow	Discount rate	0.4	- 0.4		0.4
Other asset-backed securities:								
Diversified payment rights (3)	661		Discounted cash flow	Discount rate	0.9	- 7.1		2.9
Other commercial and consumer	750	(4)	Discounted cash flow	Discount rate	1.9	- 21.5		5.0
				Weighted average life	1.6	- 10.7	yrs	4.0
	40		Vendor priced					
Marketable equity securities: perpetual preferred	663	(5)	Discounted cash flow	Discount rate	4.1	- 9.3	%	6.6
				Weighted average life	1.0	- 11.8	yrs	9.7
Mortgages held for sale (residential)	2,235		Discounted cash flow	Default rate	0.4	- 15.0	%	2.6
				Discount rate	1.1	- 7.7		5.2
				Loss severity	0.1	- 26.4		18.3
				Prepayment rate	2.0	- 15.5		8.1
	78		Market comparable pricing	Comparability adjustment	(93.0)	- 10.0		(30.0)
Loans	5,788	(6)	Discounted cash flow	Discount rate	0.0	- 3.8		3.1
				Prepayment rate	0.6	- 100.0		11.2
				Utilization rate	0.0	- 1.0		0.4
Mortgage servicing rights (residential)	12,738		Discounted cash flow	Cost to service per loan (7)	$ 86	- 683		179
				Discount rate	5.9	- 16.9	%	7.6
				Prepayment rate (8)	8.0	- 22.0		12.5
Net derivative assets and (liabilities):								
Interest rate contracts	196		Discounted cash flow	Default rate	0.00	- 0.02		0.01
				Loss severity	50.0	- 50.0		50.0
Interest rate contracts: derivative loan commitments	97		Discounted cash flow	Fall-out factor	1.0	- 99.0		24.5
				Initial-value servicing	(31.1)	- 113.3	bps	46.5
Equity contracts	162		Discounted cash flow	Conversion factor	(11.2)	- 0.0	%	(8.4)
				Weighted average life	1.0	- 2.0	yrs	1.3
	(246)		Option model	Correlation factor	(56.0)	- 96.3	%	42.1
				Volatility factor	8.3	- 80.9		28.3
Credit contracts	(192)		Market comparable pricing	Comparability adjustment	(28.6)	- 26.3		1.8
	3		Option model	Credit spread	0.0	- 17.0		0.9
				Loss severity	11.5	- 72.5		48.7
Other assets: nonmarketable equity investments	2,512		Market comparable pricing	Comparability adjustment	(19.7)	- (4.0)		(14.7)
Insignificant Level 3 assets, net of liabilities	507	(9)						
Total level 3 assets, net of liabilities	$ 30,054	(10)						

(1) Weighted averages are calculated using outstanding unpaid principal balance for cash instruments such as loans and securities, and notional amounts for derivative instruments.
(2) Includes $500 million of collateralized debt obligations.
(3) Securities backed by specified sources of current and future receivables generated from foreign originators.
(4) Consists primarily of investments in asset-backed securities that are revolving in nature, in which the timing of advances and repayments of principal are uncertain.
(5) Consists of auction rate preferred equity securities with no maturity date that are callable by the issuer.
(6) Consists predominantly of reverse mortgage loans securitized with GNMA which were accounted for as secured borrowing transactions.
(7) The high end of the range of inputs is for servicing modified loans. For non-modified loans the range is $86 - $270.
(8) Includes a blend of prepayment speeds and expected defaults. Prepayment speeds are influenced by mortgage interest rates as well as our estimation of drivers of borrower behavior.
(9) Represents the aggregate amount of Level 3 assets and liabilities measured at fair value on a recurring basis that are individually and in the aggregate insignificant. The amount includes corporate debt securities, mortgage-backed securities, other marketable equity securities, other assets, other liabilities and certain net derivative assets and liabilities, such as commodity contracts, foreign exchange contracts and other derivative contracts.
(10) Consists of total Level 3 assets of $32.3 billion and total Level 3 liabilities of $2.3 billion, before netting of derivative balances.

Note 17: Fair Values of Assets and Liabilities *(continued)*

($ in millions, except cost to service amounts)	Fair Value Level 3		Valuation Technique(s)	Significant Unobservable Input	Range of Inputs		Weighted Average (1)
December 31, 2013							
Trading and available-for-sale securities:							
Securities of U.S. states and political subdivisions:							
Government, healthcare and other revenue bonds	2,739		Discounted cash flow	Discount rate	0.4 - 6.4	%	1.4
	63		Vendor priced				
Auction rate securities and other municipal bonds	451		Discounted cash flow	Discount rate	0.4 - 12.3		4.6
				Weighted average life	1.4 - 13.0	yrs	4.4
Collateralized loan and other debt obligations (2)	612		Market comparable pricing	Comparability adjustment	(12.0) - 23.3	%	8.5
	1,349		Vendor priced				
Asset-backed securities:							
Auto loans and leases	492		Discounted cash flow	Discount rate	0.6 - 0.9		0.8
				Weighted average life	1.4 - 1.6	yrs	1.5
Other asset-backed securities:							
Diversified payment rights (3)	757		Discounted cash flow	Discount rate	1.4 - 4.7	%	3.0
Other commercial and consumer	944	(4)	Discounted cash flow	Discount rate	0.6 - 21.2		4.0
				Weighted average life	0.6 - 7.6	yrs	2.2
	78		Vendor priced				
Marketable equity securities: perpetual preferred	729	(5)	Discounted cash flow	Discount rate	4.8 - 8.3	%	7.4
				Weighted average life	1.0 - 15.0	yrs	12.2
Mortgages held for sale (residential)	2,374		Discounted cash flow	Default rate	0.6 - 12.4	%	2.8
				Discount rate	3.8 - 7.9		5.5
				Loss severity	1.3 - 32.5		21.5
				Prepayment rate	2.0 - 9.9		5.4
Loans	5,723	(6)	Discounted cash flow	Discount rate	2.4 - 3.9		3.3
				Prepayment rate	3.3 - 37.8		12.2
				Utilization rate	0.0 - 2.0		0.8
Mortgage servicing rights (residential)	15,580		Discounted cash flow	Cost to service per loan (7)	$ 86 - 773		191
				Discount rate	5.4 - 11.2	%	7.8
				Prepayment rate (8)	7.5 - 19.4		10.7
Net derivative assets and (liabilities):							
Interest rate contracts	(14)		Discounted cash flow	Default rate	0.0 - 16.5		5.0
				Loss severity	44.9 - 50.0		50.0
				Prepayment rate	11.1 - 15.6		15.6
Interest rate contracts: derivative loan commitments	(26)		Discounted cash flow	Fall-out factor	1.0 - 99.0		21.8
				Initial-value servicing	(21.5) - 81.6	bps	32.6
Equity contracts	199		Discounted cash flow	Conversion factor	(18.4) - 0.0	%	(14.1)
				Weighted average life	0.3 - 3.3	yrs	1.8
	(245)		Option model	Correlation factor	(5.3) - 87.6	%	72.2
				Volatility factor	6.8 - 81.2		25.4
Credit contracts	(378)		Market comparable pricing	Comparability adjustment	(31.3) - 30.4		(0.1)
	3		Option model	Credit spread	0.0 - 12.2		0.7
				Loss severity	10.5 - 72.5		47.4
Other assets: nonmarketable equity investments	1,386		Market comparable pricing	Comparability adjustment	(30.6) - (5.4)		(21.9)
Insignificant Level 3 assets, net of liabilities	678	(9)					
Total level 3 assets, net of liabilities	$ 33,494	(10)					

(1) Weighted averages are calculated using outstanding unpaid principal balance for cash instruments such as loans and securities, and notional amounts for derivative instruments.
(2) Includes $695 million of collateralized debt obligations.
(3) Securities backed by specified sources of current and future receivables generated from foreign originators.
(4) Consists primarily of investments in asset-backed securities that are revolving in nature, in which the timing of advances and repayments of principal are uncertain.
(5) Consists of auction rate preferred equity securities with no maturity date that are callable by the issuer.
(6) Consists predominantly of reverse mortgage loans securitized with GNMA which were accounted for as secured borrowing transactions.
(7) The high end of the range of inputs is for servicing modified loans. For non-modified loans the range is $86 - $302.
(8) Includes a blend of prepayment speeds and expected defaults. Prepayment speeds are influenced by mortgage interest rates as well as our estimation of drivers of borrower behavior.
(9) Represents the aggregate amount of Level 3 assets and liabilities measured at fair value on a recurring basis that are individually and in the aggregate insignificant. The amount includes corporate debt securities, mortgage-backed securities, asset-backed securities backed by home equity loans, other assets, other liabilities and certain net derivative assets and liabilities, such as commodity contracts and other derivative contracts.
(10) Consists of total Level 3 assets of $37.2 billion and total Level 3 liabilities of $3.7 billion, before netting of derivative balances.

The valuation techniques used for our Level 3 assets and liabilities, as presented in the previous tables, are described as follows:

- Discounted cash flow - Discounted cash flow valuation techniques generally consist of developing an estimate of future cash flows that are expected to occur over the life of an instrument and then discounting those cash flows at a rate of return that results in the fair value amount.
- Option model - Option model valuation techniques are generally used for instruments in which the holder has a contingent right or obligation based on the occurrence of a future event, such as the price of a referenced asset going above or below a predetermined strike price. Option models estimate the likelihood of the specified event occurring by incorporating assumptions such as volatility estimates, price of the underlying instrument and expected rate of return.
- Market comparable pricing - Market comparable pricing valuation techniques are used to determine the fair value of certain instruments by incorporating known inputs such as recent transaction prices, pending transactions, or prices of other similar investments which require significant adjustment to reflect differences in instrument characteristics.
- Vendor-priced - Prices obtained from third-party pricing vendors or brokers that are used to record the fair value of the asset or liability, of which the related valuation technique and significant unobservable inputs are not provided.

Significant unobservable inputs presented in the previous tables are those we consider significant to the fair value of the Level 3 asset or liability. We consider unobservable inputs to be significant, if by their exclusion, the fair value of the Level 3 asset or liability would be impacted by a predetermined percentage change or based on qualitative factors, such as nature of the instrument, type of valuation technique used, and the significance of the unobservable inputs relative to other inputs used within the valuation. Following is a description of the significant unobservable inputs provided in the tables.

- Comparability adjustment - is an adjustment made to observed market data, such as a transaction price in order to reflect dissimilarities in underlying collateral, issuer, rating, or other factors used within a market valuation approach expressed as a percentage of an observed price.
- Conversion Factor - is the risk-adjusted rate in which a particular instrument may be exchanged for another instrument upon settlement, expressed as a percentage change from a specified rate.
- Correlation factor - is the likelihood of one instrument changing in price relative to another based on an established relationship expressed as a percentage of relative change in price over a period over time.
- Cost to service - is the expected cost per loan of servicing a portfolio of loans, which includes estimates for unreimbursed expenses (including delinquency and foreclosure costs) that may occur as a result of servicing such loan portfolios.
- Credit spread - is the portion of the interest rate in excess of a benchmark interest rate, such as OIS, LIBOR or U.S. Treasury rates, that when applied to an investment captures changes in the obligor's creditworthiness.
- Default rate - is an estimate of the likelihood of not collecting contractual amounts owed expressed as a constant default rate (CDR).
- Discount rate - is a rate of return used to present value the future expected cash flow to arrive at the fair value of an instrument. The discount rate consists of a benchmark rate component and a risk premium component. The benchmark rate component, for example, OIS, LIBOR or U.S. Treasury rates, is generally observable within the market and is necessary to appropriately reflect the time value of money. The risk premium component reflects the amount of compensation market participants require due to the uncertainty inherent in the instruments' cash flows resulting from risks such as credit and liquidity.
- Fall-out factor - is the expected percentage of loans associated with our interest rate lock commitment portfolio that are likely of not funding.
- Initial-value servicing - is the estimated value of the underlying loan, including the value attributable to the embedded servicing right, expressed in basis points of outstanding unpaid principal balance.
- Loss severity – is the percentage of contractual cash flows lost in the event of a default.
- Prepayment rate - is the estimated rate at which forecasted prepayments of principal of the related loan or debt instrument are expected to occur, expressed as a constant prepayment rate (CPR).
- Utilization rate - is the estimated rate in which incremental portions of existing reverse mortgage credit lines are expected to be drawn by borrowers expressed as an annualized rate.
- Volatility factor - is the extent of change in price an item is estimated to fluctuate over a specified period of time expressed as a percentage of relative change in price over a period over time.
- Weighted average life - is the weighted average number of years an investment is expected to remain outstanding, based on its expected cash flows reflecting the estimated date the issuer will call or extend the maturity of the instrument or otherwise reflecting an estimate of the timing of an instrument's cash flows whose timing is not contractually fixed.

Significant Recurring Level 3 Fair Value Asset and Liability Input Sensitivity

We generally use discounted cash flow or similar internal modeling techniques to determine the fair value of our Level 3 assets and liabilities. Use of these techniques requires determination of relevant inputs and assumptions, some of which represent significant unobservable inputs as indicated in the preceding tables. Accordingly, changes in these unobservable inputs may have a significant impact on fair value.

Certain of these unobservable inputs will (in isolation) have a directionally consistent impact on the fair value of the instrument for a given change in that input. Alternatively, the fair value of the instrument may move in an opposite direction for a given change in another input. Where multiple inputs are used within the valuation technique of an asset or liability, a change in one input in a certain direction may be offset by an opposite change in another input having a potentially muted impact to the overall fair value of that particular instrument. Additionally, a change in one unobservable input may result in a change to another unobservable input (that is, changes in certain inputs are interrelated to one another), which may counteract or magnify the fair value impact.

SECURITIES, LOANS, MORTGAGES HELD FOR SALE and NONMARKETABLE EQUITY INVESTMENTS The fair values of predominantly all Level 3 trading securities, mortgages held for sale, loans, other nonmarketable equity investments, and available-for-sale securities have consistent inputs, valuation techniques and correlation to changes in underlying inputs. The internal models used to determine fair value for these Level 3 instruments use certain significant unobservable inputs within a discounted cash flow or market comparable pricing valuation technique. Such inputs include discount rate, prepayment rate, default rate, loss severity, utilization rate, comparability adjustment and weighted average life.

These Level 3 assets would decrease (increase) in value based upon an increase (decrease) in discount rate, default rate, loss severity, or weighted average life inputs. Conversely, the fair value of these Level 3 assets would generally increase (decrease) in value if the prepayment rate input were to increase (decrease) or if the utilization rate input were to increase (decrease).

Generally, a change in the assumption used for default rate is accompanied by a directionally similar change in the risk premium component of the discount rate (specifically, the portion related to credit risk) and a directionally opposite change in the assumption used for prepayment rates. Unobservable inputs for loss severity, utilization rate and weighted average life do not increase or decrease based on movements in the other significant unobservable inputs for these Level 3 assets.

DERIVATIVE INSTRUMENTS Level 3 derivative instruments are valued using market comparable pricing, option pricing and discounted cash flow valuation techniques. We utilize certain unobservable inputs within these techniques to determine the fair value of the Level 3 derivative instruments. The significant unobservable inputs consist of credit spread, a comparability adjustment, prepayment rate, default rate, loss severity, initial-value servicing, fall-out factor, volatility factor, weighted average life, conversion factor, and correlation factor.

Level 3 derivative assets (liabilities) where we are long the underlying would decrease (increase) in value upon an increase (decrease) in default rate, fall-out factor, credit spread, conversion factor, or loss severity inputs. Conversely, Level 3 derivative assets (liabilities) would increase (decrease) in value upon an increase (decrease) in prepayment rate, initial-value servicing, weighted average life, or volatility factor inputs. The inverse of the above relationships would occur for instruments in which we are short the underlying. The correlation factor and comparability adjustment inputs may have a positive or negative impact on the fair value of these derivative instruments depending on the change in value of the item the correlation factor and comparability adjustment is referencing. The correlation factor and comparability adjustment is considered independent from movements in other significant unobservable inputs for derivative instruments.

Generally, for derivative instruments for which we are subject to changes in the value of the underlying referenced instrument, change in the assumption used for default rate is accompanied by directionally similar change in the risk premium component of the discount rate (specifically, the portion related to credit risk) and a directionally opposite change in the assumption used for prepayment rates. Unobservable inputs for loss severity, fall-out factor, initial-value servicing, weighted average life, conversion factor, and volatility do not increase or decrease based on movements in other significant unobservable inputs for these Level 3 instruments.

MORTGAGE SERVICING RIGHTS We use a discounted cash flow valuation technique to determine the fair value of Level 3 mortgage servicing rights. These models utilize certain significant unobservable inputs including prepayment rate, discount rate and costs to service. An increase in any of these unobservable inputs will reduce the fair value of the mortgage servicing rights and alternatively, a decrease in any one of these inputs would result in the mortgage servicing rights increasing in value. Generally, a change in the assumption used for the default rate is accompanied by a directionally similar change in the assumption used for cost to service and a directionally opposite change in the assumption used for prepayment. The sensitivity of our residential MSRs is discussed further in Note 8 (Securitizations and Variable Interest Entities).

Assets and Liabilities Recorded at Fair Value on a Nonrecurring Basis

We may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis in accordance with GAAP. These adjustments to fair value usually result from application of LOCOM accounting or write-downs of individual assets. The following table provides the fair value hierarchy and carrying amount of all assets that were still held as of December 31, 2014, and 2013, and for which a nonrecurring fair adjustment was recorded during the years then ended.

	December 31, 2014				December 31, 2013			
(in millions)	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Mortgages held for sale (LOCOM) (1)	**$ —**	**2,197**	**1,098**	**3,295**	—	1,126	893	2,019
Loans held for sale	**—**	**—**	**—**	**—**	—	14	—	14
Loans:								
Commercial	**—**	**243**	**—**	**243**	—	414	—	414
Consumer	**—**	**2,018**	**5**	**2,023**	—	3,690	7	3,697
Total loans (2)	**—**	**2,261**	**5**	**2,266**	—	4,104	7	4,111
Other assets (3)	**—**	**417**	**460**	**877**	—	445	740	1,185

(1) Mostly real estate 1-4 family first mortgage loans.
(2) Represents carrying value of loans for which adjustments are based on the appraised value of the collateral.
(3) Includes the fair value of foreclosed real estate, other collateral owned and nonmarketable equity investments.

The following table presents the increase (decrease) in value of certain assets for which a nonrecurring fair value adjustment has been recognized during the periods presented.

	Year ended December 31,	
(in millions)	**2014**	2013
Mortgages held for sale (LOCOM)	**$ 33**	(23)
Loans held for sale	**—**	(1)
Loans:		
Commercial	**(125)**	(216)
Consumer (1)	**(1,336)**	(2,050)
Total loans	**(1,461)**	(2,266)
Other assets (2)	**(341)**	(214)
Total	**$ (1,769)**	(2,504)

(1) Represents write-downs of loans based on the appraised value of the collateral.
(2) Includes the losses on foreclosed real estate and other collateral owned that were measured at fair value subsequent to their initial classification as foreclosed assets. Also includes impairment losses on nonmarketable equity investments.

The table below provides quantitative information about the valuation techniques and significant unobservable inputs used in the valuation of substantially all of our Level 3 assets and liabilities measured at fair value on a nonrecurring basis for which we use an internal model.

We have excluded from the table classes of Level 3 assets and liabilities measured using an internal model that we consider, both individually and in the aggregate, insignificant relative to our overall Level 3 nonrecurring measurements. We made this determination based upon an evaluation of each class, which considered the magnitude of the positions, nature of the unobservable inputs and potential for significant changes in fair value due to changes in those inputs.

($ in millions)	Fair Value Level 3		Valuation Technique(s) (1)	Significant Unobservable Inputs (1)		Range of inputs	Weighted Average (2)
December 31, 2014							
Residential mortgages held for sale (LOCOM)	**$ 1,098**	**(3)**	**Discounted cash flow**	**Default rate**	**(5)**	**0.9 - 3.8%**	**2.1%**
				Discount rate		**1.5 - 8.5**	**3.6**
				Loss severity		**0.0 - 29.8**	**3.8**
				Prepayment rate	**(6)**	**2.0 - 100.0**	**65.5**
Other assets: private equity fund investments (4)	**171**		**Market comparable pricing**	**Comparability adjustment**		**6.0 - 6.0**	**6.0**
Insignificant level 3 assets	**294**						
Total	**1,563**						
December 31, 2013							
Residential mortgages held for sale (LOCOM)	$ 893	(3)	Discounted cash flow	Default rate	(5)	1.2 - 4.4 %	2.7 %
				Discount rate		4.3 - 12.0	10.9
				Loss severity		1.6 - 48.2	5.2
				Prepayment rate	(6)	2.0 - 100.0	67.2
Other assets: private equity fund investments (4)	505		Market comparable pricing	Comparability adjustment		4.6 - 4.6	4.6
Insignificant level 3 assets	242						
Total	1,640						

(1) Refer to the narrative following the recurring quantitative Level 3 table of this Note for a definition of the valuation technique(s) and significant unobservable inputs.
(2) For residential MHFS, weighted averages are calculated using outstanding unpaid principal balance of the loans.
(3) Consists of $1.0 billion and $825 million government insured/guaranteed loans purchased from GNMA-guaranteed mortgage securitization, at December 31, 2014 and 2013,respectively and $78 million and $68 million of other mortgage loans that are not government insured/guaranteed at December 31, 2014 and 2013, respectively.
(4) Represents a single investment. For additional information, see the "Alternative Investments" section in this Note.
(5) Applies only to non-government insured/guaranteed loans.
(6) Includes the impact on prepayment rate of expected defaults for the government insured/guaranteed loans, which impacts the frequency and timing of early resolution of loans.

Alternative Investments

The following table summarizes our investments in various types of funds for which we use net asset values (NAVs) per share as a practical expedient to measure fair value on recurring and nonrecurring bases. The investments are included in trading assets, available-for-sale securities, and other assets. The table excludes those investments that are probable of being sold at an amount different from the funds' NAVs.

(in millions)		Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
December 31, 2014					
Offshore funds	**$**	**125**	**—**	**Daily - Quarterly**	**1 - 60 days**
Hedge funds		**1**	**—**	**Daily - Quarterly**	**1-90 days**
Private equity funds (1)(2)		**1,313**	**243**	**N/A**	**N/A**
Venture capital funds (2)		**68**	**9**	**N/A**	**N/A**
Total (3)	**$**	**1,507**	**252**		
December 31, 2013					
Offshore funds	$	308	—	Daily-Quarterly	1-180 days
Hedge funds		2	—	Monthly-Semi Annually	5-95 days
Private equity funds (1)(2)		1,496	316	N/A	N/A
Venture capital funds (2)		63	14	N/A	N/A
Total (3)	$	1,869	330		

N/A - Not applicable

(1) Excludes a private equity fund investment of $171 million and $505 million at December 31, 2014, and December 31, 2013, respectively for which we recorded a nonrecurring fair value adjustment during the periods then ended. The investment is probable of being sold for an amount different from the fund's NAV; therefore, the investment's fair value has been estimated using recent transaction information. This investment is subject to the Volcker Rule, which includes provisions that restrict banking entities from owning interests in certain types of funds.

(2) Includes certain investments subject to the Volcker Rule that we may have to divest.

(3) December 31, 2014, and December 31, 2013, include $1.3 billion and $1.5 billion, respectively, of fair value for nonmarketable equity investments carried at cost for which we use NAVs as a practical expedient for determining nonrecurring fair value adjustments. The fair values of investments that had nonrecurring fair value adjustments were $108 million and $88 million at December 31, 2014, and December 31, 2013 respectively.

Offshore funds primarily invest in foreign mutual funds. Redemption restrictions are in place for these investments with a fair value of $24 million and $144 million at December 31, 2014 and December 31,2013, respectively, due to lock-up provisions that will remain in effect until February 2017.

Private equity funds invest in equity and debt securities issued by private and publicly-held companies in connection with leveraged buyouts, recapitalizations and expansion opportunities. These investments do not allow redemptions. Alternatively, we receive distributions as the underlying assets of the funds liquidate, which we expect to occur over the next 6 years.

Venture capital funds invest in domestic and foreign companies in a variety of industries, including information technology, financial services and healthcare. These investments can never be redeemed with the funds. Instead, we receive distributions as the underlying assets of the fund liquidate, which we expect to occur over the next 5 years.

Fair Value Option

The fair value option is an irrevocable election, generally only permitted upon initial recognition of financial assets or liabilities, to measure eligible financial instruments at fair value with changes in fair value reflected in earnings. We may elect the fair value option to align the measurement model with how the financial assets or liabilities are managed or to reduce complexity or accounting asymmetry. Following is a discussion of the portfolios for which we elected the fair value option.

TRADING ASSETS - LOANS We engage in holding loans for market-making purposes to support the buying and selling demands of our customers. These loans are generally held for a short period of time and managed within parameters of internally approved market risk limits. We have elected to measure and carry them at fair value, which best aligns with our risk management practices. Fair value for these loans is primarily determined using readily available market data based on recent transaction prices for similar loans.

MORTGAGES HELD FOR SALE (MHFS) We measure MHFS at fair value for MHFS originations for which an active secondary market and readily available market prices exist to reliably support fair value pricing models used for these loans. Loan origination fees on these loans are recorded when earned, and related direct loan origination costs are recognized when incurred. We also measure at fair value certain of our other interests held related to residential loan sales and securitizations. We believe fair value measurement for MHFS and other interests held, which we hedge with economic hedge derivatives along with our MSRs measured at fair value, reduces certain timing differences and better matches changes in the value of these assets with changes in the value of derivatives used as economic hedges for these assets.

LOANS HELD FOR SALE (LHFS) We elected to measure certain LHFS portfolios at fair value in conjunction with customer accommodation activities, which better aligns the measurement basis of the assets held with our management objectives given the trading nature of these portfolios.

LOANS Loans that we measure at fair value consist predominantly of reverse mortgage loans previously transferred under a GNMA reverse mortgage securitization program accounted for as a secured borrowing. Before the transfer, they were classified as MHFS measured at fair value and, as such, remain carried on our balance sheet under the fair value option.

OTHER FINANCIAL INSTRUMENTS We elected to measure at fair value certain letters of credit and nonmarketable equity securities that are hedged with derivative instruments to better reflect the economics of the transactions. The letters of credit are included in trading account assets or liabilities, and the nonmarketable equity securities are included in other assets.

Similarly, we may elect fair value option for the assets and liabilities of certain consolidated VIEs. This option is generally elected for newly consolidated VIEs for which predominantly all of our interests, prior to consolidation, are carried at fair value with changes in fair value recorded to earnings. Accordingly, such an election allows us to continue fair value accounting through earnings for those interests and eliminate income statement mismatch otherwise caused by differences in the measurement basis of the consolidated VIEs assets and liabilities.

The following table reflects differences between the fair value carrying amount of certain assets and liabilities for which we have elected the fair value option and the contractual aggregate unpaid principal amount at maturity.

	December 31, 2014			December 31, 2013		
(in millions)	**Fair value carrying amount**	**Aggregate unpaid principal**	**Fair value carrying amount less aggregate unpaid principal**	Fair value carrying amount	Aggregate unpaid principal	Fair value carrying amount less aggregate unpaid principal
Trading assets - loans:						
Total loans	**$ 1,387**	**1,410**	**(23)**	2,360	2,385	(25)
Nonaccrual loans	**—**	**1**	**(1)**	26	32	(6)
Mortgages held for sale:						
Total loans	**15,565**	**15,246**	**319**	13,879	13,966	(87)
Nonaccrual loans	**160**	**252**	**(92)**	205	359	(154)
Loans 90 days or more past due and still accruing	**27**	**30**	**(3)**	39	46	(7)
Loans held for sale:						
Total loans	**1**	**10**	**(9)**	1	9	(8)
Nonaccrual loans	**1**	**10**	**(9)**	1	9	(8)
Loans:						
Total loans	**5,788**	**5,527**	**261**	5,995	5,674	321
Nonaccrual loans	**367**	**376**	**(9)**	188	188	—
Other assets (1)	**2,512**	**n/a**	**n/a**	1,386	n/a	n/a
Long-term debt	**—**	**—**	**—**	—	(199)	199 (2)

(1) Consists of nonmarketable equity investments carried at fair value. See Note 7 (Premises, Equipment, Lease Commitments and Other Assets) for more information.
(2) Represents collateralized, non-recourse debt securities issued by certain of our consolidated securitization VIEs that are held by third party investors. To the extent cash flows from the underlying collateral are not sufficient to pay the unpaid principal amount of the debt, those third party investors absorb losses.

The assets and liabilities accounted for under the fair value option are initially measured at fair value. Gains and losses from initial measurement and subsequent changes in fair value are recognized in earnings. The changes in fair value related to initial measurement and subsequent changes in fair value included in earnings for these assets and liabilities measured at fair value are shown below by income statement line item.

	Year ended December 31,								
	2014			2013			2012		
(in millions)	**Mortgage banking noninterest income**	**Net gains (losses) from trading activities**	**Other noninterest income**	Mortgage banking noninterest income	Net gains (losses) from trading activities	Other noninterest income	Mortgage banking noninterest income	Net gains (losses) from trading activities	Other noninterest income
Trading assets - loans	**$ —**	**29**	**4**	—	40	3	—	14	1
Mortgages held for sale	**2,211**	**—**	**—**	2,073	—	—	8,240	—	1
Loans held for sale	**—**	**—**	**—**	—	—	—	—	—	21
Loans	**—**	**—**	**(49)**	—	—	(216)	—	—	63
Other assets	**—**	**—**	**518**	—	—	324	—	—	—
Long-term debt	**—**	**—**	**—**	—	—	—	—	—	(27)
Other interests held (1)	**—**	**(12)**	**—**		(15)	—	—	(42)	34

(1) Consists of retained interests in securitizations and changes in fair value of letters of credit.

For performing loans, instrument-specific credit risk gains or losses were derived principally by determining the change in fair value of the loans due to changes in the observable or implied credit spread. Credit spread is the market yield on the loans less the relevant risk-free benchmark interest rate. For nonperforming loans, we attribute all changes in fair value to instrument-specific credit risk. The following table shows the estimated gains and losses from earnings attributable to instrument-specific credit risk related to assets accounted for under the fair value option.

	Year ended December 31,		
(in millions)	**2014**	2013	2012
Gains (losses) attributable to instrument-specific credit risk:			
Trading assets - loans	**$ 29**	40	14
Mortgages held for sale	**60**	126	(124)
Loans held for sale	**—**	—	21
Total	**$ 89**	166	(89)

Disclosures about Fair Value of Financial Instruments

The table below is a summary of fair value estimates for financial instruments, excluding financial instruments recorded at fair value on a recurring basis as they are included within the Assets and Liabilities Recorded at Fair Value on a Recurring Basis table included earlier in this Note. The carrying amounts in the following table are recorded on the balance sheet under the indicated captions, except for nonmarketable equity investments, which are included in Other Assets.

We have not included assets and liabilities that are not financial instruments in our disclosure, such as the value of the long-term relationships with our deposit, credit card and trust customers, amortized MSRs, premises and equipment, goodwill and other intangibles, deferred taxes and other liabilities. The total of the fair value calculations presented does not represent, and should not be construed to represent, the underlying value of the Company.

		Estimated fair value			
(in millions)	Carrying amount	Level 1	Level 2	Level 3	Total
December 31, 2014					
Financial assets					
Cash and due from banks (1)	**$ 19,571**	**19,571**	**—**	**—**	**19,571**
Federal funds sold, securities purchased under resale agreements and other short-term investments (1)	**258,429**	**8,991**	**249,438**	**—**	**258,429**
Held-to-maturity securities	**55,483**	**41,548**	**9,021**	**5,790**	**56,359**
Mortgages held for sale (2)	**3,971**	**—**	**2,875**	**1,098**	**3,973**
Loans held for sale (2)	**721**	**—**	**739**	**—**	**739**
Loans, net (3)	**832,671**	**—**	**60,052**	**784,786**	**844,838**
Nonmarketable equity investments (cost method)	**7,033**	**—**	**—**	**8,377**	**8,377**
Financial liabilities					
Deposits	**1,168,310**	**—**	**1,132,845**	**35,566**	**1,168,411**
Short-term borrowings (1)	**63,518**	**—**	**63,518**	**—**	**63,518**
Long-term debt (4)	**183,934**	**—**	**174,996**	**10,479**	**185,475**
December 31, 2013					
Financial assets					
Cash and due from banks (1)	$ 19,919	19,919	—	—	19,919
Federal funds sold, securities purchased under resale agreements and other short-term investments (1)	213,793	5,160	208,633	—	213,793
Held to maturity securities	12,346	—	6,205	6,042	12,247
Mortgages held for sale (2)	2,884	—	2,009	893	2,902
Loans held for sale (2)	132	—	136	—	136
Loans, net (3)	789,513	—	58,350	736,214	794,564
Nonmarketable equity investments (cost method)	6,978	—	—	8,635	8,635
Financial liabilities					
Deposits	1,079,177	—	1,037,448	42,079	1,079,527
Short-term borrowings (1)	53,883	—	53,883	—	53,883
Long-term debt (4)	152,987	—	144,984	10,879	155,863

(1) Amounts consist of financial instruments in which carrying value approximates fair value.
(2) Balance reflects MHFS and LHFS, as applicable, other than those MHFS and LHFS for which election of the fair value option was made.
(3) Loans exclude balances for which the fair value option was elected and also exclude lease financing with a carrying amount of $12.3 billion and $12.4 billion at December 31, 2014 and 2013 respectively.
(4) The carrying amount and fair value exclude obligations under capital leases of $9 million and $11 million at December 31, 2014 and 2013, respectively.

Loan commitments, standby letters of credit and commercial and similar letters of credit are not included in the table above. A reasonable estimate of the fair value of these instruments is the carrying value of deferred fees plus the related allowance, which totaled $945 million and $597 million at December 31, 2014 and 2013, respectively.

Note 18: Preferred Stock

We are authorized to issue 20 million shares of preferred stock and 4 million shares of preference stock, both without par value. Preferred shares outstanding rank senior to common shares both as to dividends and liquidation preference but have no general voting rights. We have not issued any preference shares under this authorization. If issued, preference shares would be limited to one vote per share. Our total authorized, issued and outstanding preferred stock is presented in the following two tables along with the Employee Stock Ownership Plan (ESOP) Cumulative Convertible Preferred Stock.

	December 31, 2014		December 31, 2013	
	Liquidation preference per share	**Shares authorized and designated**	Liquidation preference per share	Shares authorized and designated
DEP Shares				
Dividend Equalization Preferred Shares (DEP)	**$ 10**	**97,000**	$ 10	97,000
Series G				
7.25% Class A Preferred Stock	**15,000**	**50,000**	15,000	50,000
Series H				
Floating Class A Preferred Stock	**20,000**	**50,000**	20,000	50,000
Series I				
Floating Class A Preferred Stock	**100,000**	**25,010**	100,000	25,010
Series J				
8.00% Non-Cumulative Perpetual Class A Preferred Stock	**1,000**	**2,300,000**	1,000	2,300,000
Series K				
7.98% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock	**1,000**	**3,500,000**	1,000	3,500,000
Series L				
7.50% Non-Cumulative Perpetual Convertible Class A Preferred Stock	**1,000**	**4,025,000**	1,000	4,025,000
Series N				
5.20% Non-Cumulative Perpetual Class A Preferred Stock	**25,000**	**30,000**	25,000	30,000
Series O				
5.125% Non-Cumulative Perpetual Class A Preferred Stock	**25,000**	**27,600**	25,000	27,600
Series P				
5.25% Non-Cumulative Perpetual Class A Preferred Stock	**25,000**	**26,400**	25,000	26,400
Series Q				
5.85% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock	**25,000**	**69,000**	25,000	69,000
Series R				
6.625% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock	**25,000**	**34,500**	25,000	34,500
Series S				
5.900% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock	**25,000**	**80,000**	—	—
Series T				
6.00% Non-Cumulative Perpetual Class A Preferred Stock	**25,000**	**32,200**	—	—
ESOP				
Cumulative Convertible Preferred Stock (1)	**—**	**1,251,287**	—	1,105,664
Total		**11,597,997**		11,340,174

(1) See the ESOP Cumulative Convertible Preferred Stock section of this Note for additional information about the liquidation preference for the ESOP Cumulative Preferred Stock.

Note 18: Preferred Stock *(continued)*

(in millions, except shares)	December 31, 2014				December 31, 2013			
	Shares issued and outstanding	**Par value**	**Carrying value**	**Discount**	Shares issued and outstanding	Par value	Carrying value	Discount
DEP Shares								
Dividend Equalization Preferred Shares (DEP)	**96,546**	**—**	**—**	**—**	96,546	—	—	—
Series I (1)								
Floating Class A Preferred Stock	**25,010**	**2,501**	**2,501**	**—**	25,010	2,501	2,501	—
Series J (1)								
8.00% Non-Cumulative Perpetual Class A Preferred Stock	**2,150,375**	**2,150**	**1,995**	**155**	2,150,375	2,150	1,995	155
Series K (1)								
7.98% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock	**3,352,000**	**3,352**	**2,876**	**476**	3,352,000	3,352	2,876	476
Series L (1)								
7.50% Non-Cumulative Perpetual Convertible Class A Preferred Stock	**3,968,000**	**3,968**	**3,200**	**768**	3,968,000	3,968	3,200	768
Series N (1)								
5.20% Non-Cumulative Perpetual Class A Preferred Stock	**30,000**	**750**	**750**	**—**	30,000	750	750	—
Series O (1)								
5.125% Non-Cumulative Perpetual Class A Preferred Stock	**26,000**	**650**	**650**	**—**	26,000	650	650	—
Series P (1)								
5.25% Non-Cumulative Perpetual Class A Preferred Stock	**25,000**	**625**	**625**	**—**	25,000	625	625	—
Series Q (1)								
5.85% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock	**69,000**	**1,725**	**1,725**	**—**	69,000	1,725	1,725	—
Series R (1)								
6.625% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock	**33,600**	**840**	**840**	**—**	33,600	840	840	—
Series S (1)								
5.900% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock	**80,000**	**2,000**	**2,000**	**—**	—	—	—	—
Series T (1)								
6.00% Non-Cumulative Perpetual Class A Preferred Stock	**32,000**	**800**	**800**	**—**	—	—	—	—
ESOP								
Cumulative Convertible Preferred Stock	**1,251,287**	**1,251**	**1,251**	**—**	1,105,664	1,105	1,105	—
Total	**11,138,818**	**$ 20,612**	**19,213**	**1,399**	10,881,195	$ 17,666	16,267	1,399

(1) Preferred shares qualify as Tier 1 capital.

In April 2014, we issued 2 million Depositary Shares, each representing a 1/25th interest in a share of the Non-Cumulative Perpetual Class A Preferred Stock, Series S, for an aggregate public offering price of $2.0 billion. In July 2014, we issued 32 million Depositary Shares, each representing a 1/1,000th interest in a share of the Non-Cumulative Perpetual Class A Preferred Stock, Series T, for an aggregate public offering price of $800 million. See Note 8 (Securitizations and Variable Interest Entities) for additional information on our trust preferred securities. We do not have a commitment to issue Series G or H preferred stock.

ESOP CUMULATIVE CONVERTIBLE PREFERRED STOCK All shares of our ESOP Cumulative Convertible Preferred Stock (ESOP Preferred Stock) were issued to a trustee acting on behalf of the Wells Fargo & Company 401(k) Plan (the 401(k) Plan). Dividends on the ESOP Preferred Stock are cumulative from the date of initial issuance and are payable quarterly at annual rates based upon the year of issuance. Each share of ESOP Preferred Stock released from the unallocated reserve of the 401(k) Plan is converted into shares of our common stock based on the stated value of the ESOP Preferred Stock and the then current market price of our common stock. The ESOP Preferred Stock is also convertible at the option of the holder at any time, unless previously redeemed. We have the option to redeem the ESOP Preferred Stock at any time, in whole or in part, at a redemption price per share equal to the higher of (a) $1,000 per share plus accrued and unpaid dividends or (b) the fair market value, as defined in the Certificates of Designation for the ESOP Preferred Stock.

	Shares issued and outstanding		Carrying value			
	Dec 31,	Dec 31,	**Dec 31,**	Dec 31,	Adjustable dividend rate	
(in millions, except shares)	**2014**	2013	**2014**	2013	Minimum	Maximum
ESOP Preferred Stock						
$1,000 liquidation preference per share						
2014	**352,158**	—	**$ 352**	—	8.70%	9.70
2013	**288,000**	349,788	**288**	350	8.50	9.50
2012	**189,204**	217,404	**189**	217	10.00	11.00
2011	**205,263**	241,263	**205**	241	9.00	10.00
2010	**141,011**	171,011	**141**	171	9.50	10.50
2008	**42,204**	57,819	**42**	58	10.50	11.50
2007	**24,728**	39,248	**25**	39	10.75	11.75
2006	**8,719**	21,139	**9**	21	10.75	11.75
2005	**—**	7,992	**—**	8	9.75	10.75
Total ESOP Preferred Stock (1)	**1,251,287**	1,105,664	**$ 1,251**	1,105		
Unearned ESOP shares (2)			**$ (1,360)**	(1,200)		

(1) At December 31, 2014 and December 31,2013, additional paid-in capital included $109 million and $95 million, respectively, related to ESOP preferred stock.
(2) We recorded a corresponding charge to unearned ESOP shares in connection with the issuance of the ESOP Preferred Stock. The unearned ESOP shares are reduced as shares of the ESOP Preferred Stock are committed to be released.

Note 19: Common Stock and Stock Plans

Common Stock

The following table presents our reserved, issued and authorized shares of common stock at December 31, 2014.

	Number of shares
Dividend reinvestment and common stock purchase plans	9,892,201
Director plans	942,715
Stock plans (1)	524,917,342
Convertible securities and warrants	104,259,902
Total shares reserved	640,012,160
Shares issued	5,481,811,474
Shares not reserved	2,878,176,366
Total shares authorized	9,000,000,000

(1) Includes employee options, restricted shares and restricted share rights, 401 (k) profit sharing and compensation deferral plans.

At December 31, 2014, we have warrants outstanding and exercisable to purchase 38,424,434 shares of our common stock with an exercise price of $33.996 per share, expiring on October 28, 2018. We did not purchase any of these warrants in 2014 or 2013. Warrants to purchase 684,430 and 435 shares of our common stock were exercised in 2014 and 2013, respectively. These warrants were issued in connection with our participation in the TARP CPP.

Dividend Reinvestment and Common Stock Purchase Plans

Participants in our dividend reinvestment and common stock direct purchase plans may purchase shares of our common stock at fair market value by reinvesting dividends and/or making optional cash payments, under the plan's terms.

Employee Stock Plans

We offer stock-based employee compensation plans as described below. For information on our accounting for stock-based compensation plans, see Note 1 (Summary of Significant Accounting Policies).

LONG-TERM INCENTIVE COMPENSATION PLANS Our Long-Term Incentive Compensation Plan (LTICP) provides for awards of incentive and nonqualified stock options, stock appreciation rights, restricted shares, restricted stock rights (RSRs), performance share awards (PSAs), performance units and stock awards with or without restrictions.

Beginning in 2010, we granted RSRs and performance shares as our primary long-term incentive awards instead of stock options. Holders of RSRs are entitled to the related shares of common stock at no cost generally vesting over three to five years after the RSRs were granted. RSRs generally continue to vest after retirement according to the original vesting schedule. Except in limited circumstances, RSRs are canceled when employment ends.

Holders of each vested PSA are entitled to the related shares of common stock at no cost. PSAs continue to vest after retirement according to the original vesting schedule subject to satisfying the performance criteria and other vesting conditions.

Holders of RSRs and PSAs may be entitled to receive additional RSRs and PSAs (dividend equivalents) or cash payments equal to the cash dividends that would have been paid had the RSRs or PSAs been issued and outstanding shares of common stock. RSRs and PSAs granted as dividend equivalents are subject to the same vesting schedule and conditions as the underlying award.

Stock options must have an exercise price at or above fair market value (as defined in the plan) of the stock at the date of grant (except for substitute or replacement options granted in connection with mergers or other acquisitions) and a term of no more than 10 years. Except for options granted in 2004 and 2005, which generally vested in full upon grant, options generally become exercisable over three years beginning on the first anniversary of the date of grant. Except as otherwise permitted under the plan, if employment is ended for reasons other than retirement, permanent disability or death, the option exercise period is reduced or the options are canceled.

Compensation expense for most of our RSRs, and PSAs granted prior to 2013, is based on the quoted market price of the related stock at the grant date; beginning in 2013 certain RSRs and all PSAs granted include discretionary performance based vesting conditions and are subject to variable accounting. For these awards, the associated compensation expense fluctuates with changes in our stock price. Stock option expense is based on the fair value of the awards at the date of grant. The following table summarizes the major components of stock incentive compensation expense and the related recognized tax benefit.

	Year ended December 31,		
(in millions)	**2014**	2013	2012
RSRs	**$ 639**	568	435
Performance shares	**219**	157	112
Stock options	**—**	—	13
Total stock incentive compensation expense	**$ 858**	725	560
Related recognized tax benefit	**$ 324**	273	211

For various acquisitions and mergers, we converted employee and director stock options of acquired or merged companies into stock options to purchase our common stock based on the terms of the original stock option plan and the agreed-upon exchange ratio. In addition, we converted restricted stock awards into awards that entitle holders to our stock after the vesting conditions are met. Holders receive cash dividends on outstanding awards if provided in the original award.

The total number of shares of common stock available for grant under the plans at December 31, 2014, was 245 million.

Director Awards

Beginning in 2011, we granted only common stock awards under the LTICP to non-employee directors elected or re-elected at the annual meeting of stockholders and prorated awards to directors who join the Board at any other time. Stock awards vest immediately. Options also were granted to directors prior to 2011, and can be exercised after twelve months through the tenth anniversary of the grant date. Options granted prior to 2005 may include the right to acquire a "reload" stock option. Reload grants are fully vested upon grant and are expensed immediately. The last reload options were granted in 2013. As of December 31, 2014, none of the options outstanding included a reload feature.

Restricted Share Rights

A summary of the status of our RSRs and restricted share awards at December 31, 2014, and changes during 2014 is in the following table:

	Number	Weighted-average grant-date fair value
Nonvested at January 1, 2014	60,643,994	$ 31.61
Granted	15,583,325	46.79
Vested	(21,307,272)	31.29
Canceled or forfeited	(1,347,898)	19.36
Nonvested at December 31, 2014	53,572,149	36.46

The weighted-average grant date fair value of RSRs granted during 2013 and 2012 was $35.52 and $31.49, respectively.

At December 31, 2014, there was $708 million of total unrecognized compensation cost related to nonvested RSRs. The cost is expected to be recognized over a weighted-average period of 2.5 years. The total fair value of RSRs that vested during 2014, 2013 and 2012 was $1.0 billion, $472 million and $89 million, respectively.

Performance Share Awards

Holders of PSAs are entitled to the related shares of common stock at no cost subject to the Company's achievement of specified performance criteria over a three-year period. PSAs are granted at a target number; based on the Company's performance, the number of awards that vest can be adjusted downward to zero and upward to a maximum of either 125% or 150% of target. The awards vest in the quarter after the end of the performance period. For PSAs whose performance period ended December 31, 2014, the determination of the number of performance shares that will vest will occur in the first quarter of 2015, after review of the Company's performance by the Human Resources Committee of the Board of Directors. Beginning in 2013, PSAs granted include discretionary performance based vesting conditions and are subject to variable accounting. For these awards, the associated compensation expense fluctuates with changes in our stock price and the estimated outcome of meeting the performance conditions. The total expense that will be recognized on these awards cannot be finalized until the determination of the awards that will vest.

A summary of the status of our PSAs at December 31, 2014 and changes during 2014 is in the following table, based on the target amount of awards:

	Number	Weighted-average grant-date fair value
Nonvested at January 1, 2014	10,839,148	$ 32.72
Granted	3,968,637	41.01
Vested	(5,513,017)	31.68
Nonvested at December 31, 2014	9,294,768	36.87

The weighted-average grant date fair value of performance awards granted during 2013 and 2012 was $33.56 and $31.44, respectively.

At December 31, 2014, there was $41 million of total unrecognized compensation cost related to nonvested performance awards. The cost is expected to be recognized over a weighted-average period of 1.6 years. The total fair value of PSAs that vested during 2014 and 2013 was $262 million and $168 million, respectively. No performance awards vested during 2012.

Stock Options

The table below summarizes stock option activity and related information for the stock plans. Options assumed in mergers are included in the activity and related information for Incentive Compensation Plans if originally issued under an employee plan, and in the activity and related information for Director Awards if originally issued under a director plan.

	Number	Weighted-average exercise price	Weighted-average remaining contractual term (in yrs.)	Aggregate intrinsic value (in millions)
Incentive compensation plans				
Options outstanding as of December 31, 2013	140,484,056	$ 42.86		
Canceled or forfeited	(2,844,648)	206.02		
Exercised	(39,976,208)	29.93		
Options exercisable and outstanding as of December 31, 2014	97,663,200	43.40	2.7	$ 2,476
Director awards				
Options outstanding as of December 31, 2013	479,637	31.95		
Exercised	(88,090)	31.43		
Options exercisable and outstanding as of December 31, 2014	391,547	32.07	2.1	9

As of December 31, 2014, there was no unrecognized compensation cost related to stock options. The total intrinsic value of options exercised during 2014, 2013 and 2012 was $805 million, $643 million and $694 million, respectively.

Cash received from the exercise of stock options for 2014, 2013 and 2012 was $1.2 billion, $1.6 billion and $1.5 billion, respectively.

We do not have a specific policy on repurchasing shares to satisfy share option exercises. Rather, we have a general policy on repurchasing shares to meet common stock issuance requirements for our benefit plans (including share option exercises), conversion of our convertible securities, acquisitions and other corporate purposes. Various factors determine the amount and timing of our share repurchases, including our capital requirements, the number of shares we expect to issue for acquisitions and employee benefit plans, market conditions (including the trading price of our stock), and regulatory and legal considerations. These factors can change at any time, and there can be no assurance as to the number of shares we will repurchase or when we will repurchase them.

The fair value of each option award granted on or after January 1, 2006, is estimated using a Black-Scholes valuation model. The expected term of reload options granted is generally based on the midpoint between the valuation date and the contractual termination date of the original option. Our expected volatilities are based on a combination of the historical volatility of our common stock and implied volatilities for traded options on our common stock. The risk-free rate is based on the U.S. Treasury zero-coupon yield curve in effect at the time of grant. Both expected volatility and the risk-free rates are based on a period commensurate with our expected term. The expected dividend is based on a fixed dividend amount.

The following table presents the weighted-average per share fair value of options granted and the assumptions used, based on a Black-Scholes option valuation model. All of the options granted in 2013 and 2012 resulted from the reload feature.

	Year ended December 31,		
	2014	2013	2012
Per share fair value of options granted	**$ —**	1.58	2.79
Expected volatility	**—%**	18.3	29.2
Expected dividends	**$ —**	0.93	0.68
Expected term (in years)	**—**	0.5	0.7
Risk-free interest rate	**—%**	0.1	0.1

Employee Stock Ownership Plan

The Wells Fargo & Company 401(k) Plan (401(k) Plan) is a defined contribution plan with an Employee Stock Ownership Plan (ESOP) feature. The ESOP feature enables the 401(k) Plan to borrow money to purchase our preferred or common stock. From 1994 through 2014, with the exception of 2009, we loaned money to the 401(k) Plan to purchase shares of our ESOP preferred stock. As our employer contributions are made to the 401(k) Plan and are used by the 401(k) Plan to make ESOP loan payments, the ESOP preferred stock in the 401(k) Plan is released and converted into our common stock shares. Dividends on the common stock shares allocated as a result of the release and conversion of the ESOP preferred stock reduce retained earnings and the shares are considered outstanding for computing earnings per share. Dividends on the unallocated ESOP preferred stock do not reduce retained earnings, and the shares are not considered to be common stock equivalents for computing earnings per share. Loan principal and interest payments are made from our employer contributions to the 401 (k) Plan, along with dividends paid on the ESOP preferred stock. With each principal and interest payment, a portion of the ESOP preferred stock is released and converted to common stock shares, which are allocated to the 401(k) Plan participants and invested in the Wells Fargo ESOP Fund within the 401(k) Plan.

The balance of common stock and unreleased preferred stock held in the Wells Fargo ESOP fund, the fair value of unreleased ESOP preferred stock and the dividends on allocated shares of common stock and unreleased ESOP Preferred Stock paid to the 401(k) Plan were:

	Shares outstanding December 31,		
(in millions, except shares)	**2014**	2013	2012
Allocated shares (common)	**136,801,782**	137,354,139	136,821,035
Unreleased shares (preferred)	**1,251,287**	1,105,664	910,934
Fair value of unreleased ESOP preferred shares	**$ 1,251**	1,105	911

	Dividends paid Year ended December 31,		
	2014	2013	2012
Allocated shares (common)	**$ 186**	159	117
Unreleased shares (preferred)	**152**	132	115

Deferred Compensation Plan for Independent Sales Agents

WF Deferred Compensation Holdings, Inc. is a wholly-owned subsidiary of the Parent formed solely to sponsor a deferred compensation plan for independent sales agents who provide investment, financial and other qualifying services for or with respect to participating affiliates.

The Nonqualified Deferred Compensation Plan for Independent Contractors, which became effective January 1, 2002, allowed participants to defer all or part of their eligible compensation payable to them by a participating affiliate. The Parent has fully and unconditionally guaranteed the deferred compensation obligations of WF Deferred Compensation Holdings, Inc. under the plan. No future deferrals may be made under this plan and participants may no longer reallocate their existing account balances under the plan among different investment options.

Note 20: Employee Benefits and Other Expenses

Pension and Postretirement Plans

We sponsor a frozen noncontributory qualified defined benefit retirement plan called the Wells Fargo & Company Cash Balance Plan (Cash Balance Plan), which covers eligible employees of Wells Fargo. The Cash Balance Plan was frozen on July 1, 2009 and no new benefits accrue after that date.

Prior to July 1, 2009, eligible employees' Cash Balance Plan accounts were allocated a compensation credit based on a percentage of their certified compensation; the freeze discontinued the allocation of compensation credits after June 30, 2009. Investment credits continue to be allocated to participants based on their accumulated balances.

We recognize settlement losses for our Cash Balance Plan based on an assessment of whether our estimated lump sum payments related to the Cash Balance Plan will, in aggregate for the year, exceed the sum of its annual service and interest cost (threshold). Lump sum payments did not exceed this threshold in 2014. In 2013, lump sum payments exceeded this threshold. Settlement losses of $123 million were recognized in 2013, representing the pro rata portion of the net loss remaining in cumulative other comprehensive income based on the percentage reduction in the Cash Balance Plan's projected benefit obligation. A remeasurement of the Cash Balance liability and related plan assets occurs at the end of each quarter in which settlement losses are recognized.

We did not make a contribution to our Cash Balance Plan in 2014. We do not expect that we will be required to make a contribution to the Cash Balance Plan in 2015; however, this is dependent on the finalization of the actuarial valuation in 2015. Our decision of whether to make a contribution in 2015 will be based on various factors including the actual investment performance of plan assets during 2015. Given these uncertainties, we cannot estimate at this time the amount, if any, that we will contribute in 2015 to the Cash Balance Plan. For the nonqualified pension plans and postretirement benefit plans, there is no minimum required contribution beyond the amount needed to fund benefit payments; we may contribute more to our postretirement benefit plans dependent on various factors.

We provide health care and life insurance benefits for certain retired employees and reserve the right to terminate, modify or amend any of the benefits at any time.

The information set forth in the following tables is based on current actuarial reports using the measurement date of December 31 for our pension and postretirement benefit plans. In October 2014, the Society of Actuaries (SOA) published updated mortality tables that reflect improved longevity. The benefit obligations at December 31, 2014 reflect the SOA's updated mortality tables, which did not have a material effect on these obligations.

The changes in the benefit obligation and the fair value of plan assets, the funded status and the amounts recognized on the balance sheet were:

	December 31, 2014			December 31, 2013		
	Pension benefits			Pension benefits		
(in millions)	Qualified	Non-qualified	Other benefits	Qualified	Non-qualified	Other benefits
Change in benefit obligation:						
Benefit obligation at beginning of year	$ 10,198	669	982	11,717	719	1,293
Service cost	1	—	7	—	—	11
Interest cost	465	27	42	465	29	47
Plan participants' contributions	—	—	73	—	—	77
Actuarial loss (gain)	1,161	89	136	(1,106)	(17)	(306)
Benefits paid	(692)	(54)	(148)	(875)	(62)	(147)
Medicare Part D subsidy	—	—	9	—	—	8
Foreign exchange impact	(8)	(1)	(1)	(3)	—	(1)
Benefit obligation at end of year	11,125	730	1,100	10,198	669	982
Change in plan assets:						
Fair value of plan assets at beginning of year	9,409	—	645	9,539	—	636
Actual return on plan assets	909	—	26	743	—	71
Employer contribution	7	54	19	4	62	—
Plan participants' contributions	—	—	73	—	—	77
Benefits paid	(692)	(54)	(148)	(875)	(62)	(147)
Medicare Part D subsidy	—	—	9	—	—	8
Foreign exchange impact	(7)	—	—	(2)	—	—
Fair value of plan assets at end of year	9,626	—	624	9,409	—	645
Funded status at end of year	$ (1,499)	(730)	(476)	(789)	(669)	(337)
Amounts recognized on the balance sheet at end of year: Liabilities	$ (1,499)	(730)	(476)	(789)	(669)	(337)

The following table provides information for pension plans with benefit obligations in excess of plan assets.

(in millions)	**Dec 31, 2014**	Dec 31, 2013
Projected benefit obligation	**$ 11,855**	10,822
Accumulated benefit obligation	**11,851**	10,820
Fair value of plan assets	**9,626**	9,364

The components of net periodic benefit cost and other comprehensive income were:

	December 31, 2014			December 31, 2013			December 31, 2012		
	Pension benefits			Pension benefits			Pension benefits		
(in millions)	**Qualified**	**Non-qualified**	**Other benefits**	Qualified	Non-qualified	Other benefits	Qualified	Non-qualified	Other benefits
Service cost	**$ 1**	**—**	**7**	—	—	11	3	—	11
Interest cost	**465**	**27**	**42**	465	29	47	514	32	60
Expected return on plan assets	**(629)**	**—**	**(36)**	(674)	—	(36)	(652)	—	(36)
Amortization of net actuarial loss (gain)	**91**	**11**	**(28)**	137	15	(1)	131	10	—
Amortization of prior service credit	**—**	**—**	**(2)**	—	—	(2)	—	—	(2)
Settlement loss (1)	**—**	**2**	**—**	124	3	—	2	5	—
Curtailment gain	**—**	**—**	**—**	—	—	—	—	—	(3)
Net periodic benefit cost	**(72)**	**40**	**(17)**	52	47	19	(2)	47	30
Other changes in plan assets and benefit obligations recognized in other comprehensive income:									
Net actuarial loss (gain)	**881**	**89**	**146**	(1,175)	(17)	(341)	758	62	(42)
Amortization of net actuarial gain (loss)	**(91)**	**(11)**	**28**	(137)	(15)	1	(131)	(10)	—
Prior service cost	**—**	**—**	**—**	—	—	—	(2)	—	—
Amortization of prior service credit	**—**	**—**	**2**	—	—	2	—	—	2
Settlement (1)	**—**	**(2)**	**—**	(124)	(3)	—	(1)	(5)	—
Total recognized in other comprehensive income	**790**	**76**	**176**	(1,436)	(35)	(338)	624	47	(40)
Total recognized in net periodic benefit cost and other comprehensive income	**$ 718**	**116**	**159**	(1,384)	12	(319)	622	94	(10)

(1) Qualified settlements in 2013 include $123 million for the Cash Balance Plan.

Amounts recognized in cumulative OCI (pre tax) consist of:

	December 31, 2014			December 31, 2013		
	Pension benefits			Pension benefits		
(in millions)	**Qualified**	**Non-qualified**	**Other benefits**	Qualified	Non-qualified	Other benefits
Net actuarial loss (gain)	**$ 2,677**	**224**	**(147)**	1,887	148	(321)
Net prior service credit	**(2)**	**—**	**(20)**	(2)	—	(22)
Total	**$ 2,675**	**224**	**(167)**	1,885	148	(343)

The net actuarial loss for the defined benefit pension plans and other post retirement plans that will be amortized from cumulative OCI into net periodic benefit cost in 2015 is $122 million. The net prior service credit for the defined benefit pension plans and other post retirement plans that will be amortized from cumulative OCI into net periodic benefit cost in 2015 is $2 million.

Plan Assumptions
For additional information on our pension accounting assumptions, see Note 1 (Summary of Significant Accounting Policies).The weighted-average discount rates used to estimate the projected benefit obligation for pension benefits were:

	December 31, 2014			December 31, 2013		
	Pension benefits			Pension benefits		
	Qualified	**Non-qualified**	**Other benefits**	Qualified	Non-qualified	Other benefits
Discount rate	**4.00%**	**3.75**	**4.00**	4.75	4.25	4.50

The weighted-average assumptions used to determine the net periodic benefit cost were:

	December 31, 2014			December 31, 2013			December 31, 2012		
	Pension benefits			Pension benefits			Pension benefits		
	Qualified	**Non-qualified**	**Other benefits**	Qualified	Non-qualified	Other benefits	Qualified	Non-qualified	Other benefits
Discount rate (1)	**4.75%**	**4.16**	**4.50**	4.38	4.08	3.75	5.00	4.92	4.75
Expected return on plan assets	**7.00**	**n/a**	**6.00**	7.50	n/a	6.00	7.50	n/a	6.00

(1) The discount rate for the 2013 qualified pension benefits and for the 2014, 2013, and 2012 nonqualified pension benefits includes the impact of quarter-end remeasurements when settlement losses are recognized.

To account for postretirement health care plans we use health care cost trend rates to recognize the effect of expected changes in future health care costs due to medical inflation, utilization changes, new technology, regulatory requirements and Medicare cost shifting. In determining the end of year benefit obligation we assume an average annual increase of approximately 7.00%, for health care costs in 2015. This rate is assumed to trend down 0.25% per year until the trend rate reaches an ultimate rate of 5.00% in 2023. The 2014 periodic benefit cost was determined using an initial annual trend rate of 7.25%. This rate was assumed to decrease 0.25% per year until the trend rate reached an ultimate rate of 5.00% in 2023. Increasing the assumed health care trend by one percentage point in each year would increase the benefit obligation as of December 31, 2014, by $45 million and the total of the interest cost and service cost components of the net periodic benefit cost for 2014 by $2 million. Decreasing the assumed health care trend by one percentage point in each year would decrease the benefit obligation as of December 31, 2014, by $40 million and the total of the interest cost and service cost components of the net periodic benefit cost for 2014 by $2 million.

Investment Strategy and Asset Allocation

We seek to achieve the expected long-term rate of return with a prudent level of risk given the benefit obligations of the pension plans and their funded status. Our overall investment strategy is designed to provide our Cash Balance Plan with long-term growth opportunities while ensuring that risk is mitigated through diversification across numerous asset classes and various investment strategies. We target the asset allocation for our Cash Balance Plan at a target mix range of 30% -50% equities, 40% -60% fixed income, and approximately 10% in real estate, venture capital, private equity and other investments. The Employee Benefit Review Committee (EBRC), which includes several members of senior management, formally reviews the investment risk and performance of our Cash Balance Plan on a quarterly basis. Annual Plan liability analysis and periodic asset/liability evaluations are also conducted.

Other benefit plan assets include (1) assets held in a 401(h) trust, which are invested with a target mix of 40%-60% for both equities and fixed income, and (2) assets held in the Retiree Medical Plan Voluntary Employees' Beneficiary Association (VEBA) trust, which are invested with a general target asset mix of 20%-40% equities and 60%-80% fixed income. In addition, the strategy for the VEBA trust assets considers the effect of income taxes by utilizing a combination of variable annuity and low turnover investment strategies. Members of the EBRC formally review the investment risk and performance of these assets on a quarterly basis.

Projected Benefit Payments

Future benefits that we expect to pay under the pension and other benefit plans are presented in the following table. Other benefits payments are expected to be reduced by prescription drug subsidies from the federal government provided by the Medicare Prescription Drug, Improvement and Modernization Act of 2003.

	Pension benefits		Other benefits	
(in millions)	Qualified	Non-qualified	Future benefits	Subsidy receipts
Year ended December 31,				
2015	$ 750	92	88	10
2016	741	66	89	11
2017	732	61	89	11
2018	730	57	89	11
2019	738	55	89	12
2020-2024	3,568	233	424	59

Fair Value of Plan Assets

The following table presents the balances of pension plan assets and other benefit plan assets measured at fair value. See Note 17 (Fair Values of Assets and Liabilities) for fair value hierarchy level definitions.

	Carrying value at year end							
	Pension plan assets				Other benefits plan assets			
(in millions)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
December 31, 2014								
Cash and cash equivalents	**$ 31**	**224**	**—**	**255**	**139**	**21**	**—**	**160**
Long duration fixed income (1)	**556**	**3,622**	**12**	**4,190**	**—**	**—**	**—**	**—**
Intermediate (core) fixed income (2)	**127**	**329**	**—**	**456**	**61**	**115**	**—**	**176**
High-yield fixed income	**1**	**321**	**5**	**327**	**—**	**—**	**—**	**—**
International fixed income	**53**	**284**	**—**	**337**	**—**	**—**	**—**	**—**
Domestic large-cap stocks (3)	**833**	**375**	**—**	**1,208**	**—**	**102**	**—**	**102**
Domestic mid-cap stocks	**252**	**140**	**—**	**392**	**—**	**47**	**—**	**47**
Domestic small-cap stocks (4)	**238**	**17**	**—**	**255**	**—**	**37**	**—**	**37**
Global stocks (5)	**47**	**155**	**—**	**202**	**—**	**—**	**—**	**—**
International stocks (6)	**457**	**276**	**—**	**733**	**25**	**53**	**—**	**78**
Emerging market stocks	**—**	**412**	**—**	**412**	**—**	**—**	**—**	**—**
Real estate/timber (7)	**121**	**1**	**265**	**387**	**—**	**—**	**—**	**—**
Hedge funds (8)	**—**	**203**	**84**	**287**	**—**	**—**	**—**	**—**
Private equity	**—**	**—**	**155**	**155**	**—**	**—**	**—**	**—**
Other	**—**	**23**	**52**	**75**	**2**	**—**	**22**	**24**
Total plan investments	**$ 2,716**	**6,382**	**573**	**9,671**	**227**	**375**	**22**	**624**
Payable upon return of securities loaned				**(53)**				**—**
Net receivables				**8**				**—**
Total plan assets				**$ 9,626**				**624**
December 31, 2013								
Cash and cash equivalents	$ 65	357	—	422	147	22	—	169
Long duration fixed income (1)	546	3,287	1	3,834	—	—	—	—
Intermediate (core) fixed income (2)	86	339	—	425	64	115	—	179
High-yield fixed income	5	326	—	331	—	—	—	—
International fixed income	201	112	—	313	—	—	—	—
Domestic large-cap stocks (3)	824	415	—	1,239	—	107	—	107
Domestic mid-cap stocks	260	145	—	405	—	46	—	46
Domestic small-cap stocks (4)	286	15	—	301	—	38	—	38
International stocks (6)	540	354	1	895	28	54	—	82
Emerging market stocks	—	405	—	405	—	—	—	—
Real estate/timber (7)	89	1	294	384	—	—	—	—
Hedge funds (8)	—	149	152	301	—	—	—	—
Private equity	—	—	158	158	—	—	—	—
Other	—	27	52	79	2	—	22	24
Total plan investments	$ 2,902	5,932	658	9,492	241	382	22	645
Payable upon return of securities loaned				(94)				—
Net receivables				11				—
Total plan assets				$ 9,409				645

(1) This category includes a diversified mix of assets which are being managed in accordance with a duration target of approximately 10 years and an emphasis on corporate credit bonds combined with investments in U.S. Treasury securities and other U.S. agency and non-agency bonds.

(2) This category includes assets that are primarily intermediate duration, investment grade bonds held in investment strategies benchmarked to the Barclays Capital U.S. Aggregate Bond Index. Includes U.S. Treasury securities, agency and non-agency asset-backed bonds and corporate bonds.

(3) This category covers a broad range of investment styles, including active, enhanced index and passive approaches, as well as style characteristics of value, core and growth emphasized strategies. Assets in this category are currently diversified across seven unique investment strategies with no single investment manager strategy representing more than 2.5% of total plan assets.

(4) This category consists of a highly diversified combination of four distinct investment management strategies with no single strategy representing more than 2% of total plan assets. Allocations in this category are spread across actively managed approaches with distinct value and growth emphasized approaches in fairly equal proportions.

(5) This category consists of three unique investment strategies providing exposure to broadly diversified, global equity investments, which generally have an allocation of 40-60% in U.S. domiciled equities and and an equivalent allocation range in primarily developed market, non-U.S. equities, with no single strategy representing more than 1.5% of total Plan assets.

(6) This category includes assets diversified across six unique investment strategies providing exposure to companies based primarily in developed market, non-U.S. countries with no single strategy representing more than 2.5% of total plan assets.

(7) This category primarily includes investments in private and public real estate, as well as timber specific limited partnerships; real estate holdings are diversified by geographic location and sector (e.g., retail, office, apartments).

(8) This category consists of several investment strategies diversified across more than 30 hedge fund managers. Single manager allocation exposure is limited to 0.15% (15 basis points) of total plan assets.

Note 20: Employee Benefits and Other Expenses *(continued)*

The changes in Level 3 pension plan and other benefit plan assets measured at fair value are summarized as follows:

(in millions)	Balance beginning of year	Gains (losses) Realized	Gains (losses) Unrealized (1)	Purchases, sales and settlements (net)	Transfers Into/(Out of) Level 3	Balance end of year
Year ended December 31, 2014						
Pension plan assets:						
Long duration fixed income	**$ 1**	**—**	**—**	**1**	**10**	**12**
High-yield fixed income	**—**	**—**	**—**	**3**	**2**	**5**
International stocks	**1**	**—**	**—**	**(1)**	**—**	**—**
Real estate/timber	**294**	**9**	**34**	**(72)**	**—**	**265**
Hedge funds	**152**	**1**	**4**	**(9)**	**(64)**	**84**
Private equity	**158**	**12**	**(3)**	**(12)**	**—**	**155**
Other	**52**	**2**	**1**	**(3)**	**—**	**52**
	$ 658	**24**	**36**	**(93)**	**(52)**	**573**
Other benefits plan assets:						
Other	**$ 22**	**—**	**—**	**—**	**—**	**22**
	$ 22	**—**	**—**	**—**	**—**	**22**
Year ended December 31, 2013						
Pension plan assets:						
Long duration fixed income	$ 1	—	—	—	—	1
International stocks	1	—	—	—	—	1
Real estate/timber	328	27	52	(113)	—	294
Hedge funds	71	5	6	56	14	152
Private equity	145	19	6	(12)	—	158
Other	48	1	5	(2)	—	52
	$ 594	52	69	(71)	14	658
Other benefits plan assets:						
Other	$ 22	—	—	—	—	22
	$ 22	—	—	—	—	22

(1) All unrealized gains (losses) relate to instruments held at period end.

VALUATION METHODOLOGIES Following is a description of the valuation methodologies used for assets measured at fair value.

Cash and Cash Equivalents – includes investments in collective investment funds valued at fair value based upon the quoted market values of the underlying net assets. The unit price is quoted on a private market that is not active; however, the unit price is based on underlying investments traded on an active market. This group of assets also includes investments in registered investment companies valued at the NAV of shares held at year end.

Long Duration, Intermediate (Core), High-Yield, and International Fixed Income – includes investments traded on the secondary markets; prices are measured by using quoted market prices for similar securities, pricing models, and discounted cash flow analyses using significant inputs observable in the market where available, or a combination of multiple valuation techniques. This group of assets also includes highly liquid government securities such as U.S. Treasuries, limited partnerships valued at the NAV provided by the fund sponsor and registered investment companies and collective investment funds described above.

Domestic, Global, International and Emerging Market Stocks – investments in exchange-traded equity securities are valued at quoted market values. This group of assets also includes investments in registered investment companies and collective investment funds described above.

Real Estate and Timber – the fair value of real estate and timber is estimated based primarily on appraisals prepared by third-party appraisers. Market values are estimates and the actual market price of the real estate can only be determined by negotiation between independent third parties in a sales transaction. This group of assets also includes investments in exchange-traded equity securities described above.

Hedge Funds and Private Equity – the fair values of hedge funds are valued based on the proportionate share of the underlying net assets of the investment funds that comprise the fund, based on valuations supplied by the underlying investment funds. Investments in private equity funds are valued at the NAV provided by the fund sponsor. Market values are estimates and the actual market price of the investments can only be determined by negotiation between independent third parties in a sales transaction.

Other – insurance contracts that are generally stated at cash surrender value. This group of assets also includes investments in collective investment funds and private equity described above.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While we believe our valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Defined Contribution Retirement Plans

We sponsor a defined contribution retirement plan named the Wells Fargo & Company 401(k) Plan (401(k) Plan). Under the 401(k) Plan, after one month of service, eligible employees may contribute up to 50% of their certified compensation, subject to statutory limits. Eligible employees who complete one year of service are eligible for company matching contributions, which are generally dollar for dollar up to 6% of an employee's eligible certified compensation. Effective January 1, 2010, matching contributions are 100% vested. The 401(k) Plan includes an employer discretionary profit sharing contribution feature to allow us to make a contribution to eligible employees' 401(k) Plan accounts. Eligible employees who complete one year of service are eligible for profit sharing contributions. Profit sharing contributions are vested after three years of service. Total defined contribution retirement plan expenses were $1.1 billion, $1.2 billion, and $1.1 billion in 2014, 2013, and 2012 respectively.

Other Expenses

Expenses exceeding 1% of total interest income and noninterest income in any of the years presented that are not otherwise shown separately in the financial statements or Notes to Financial Statements were:

	Year ended December 31,		
(in millions)	**2014**	2013	2012
Outside professional services	**$ 2,689**	2,519	2,729
Operating losses	**1,249**	821	2,235
Outside data processing	**1,034**	983	910
Contract services	**975**	935	1,011
Travel and entertainment	**904**	885	839
Foreclosed assets	**583**	605	1,061

Note 21: Income Taxes

The components of income tax expense were:

	Year ended December 31,		
(in millions)	**2014**	2013	2012
Current:			
Federal	**$ 7,321**	4,601	9,141
State and local	**520**	736	1,198
Foreign	**112**	91	61
Total current	**7,953**	5,428	10,400
Deferred:			
Federal	**2,117**	4,457	(1,151)
State and local	**224**	522	(166)
Foreign	**13**	(2)	20
Total deferred	**2,354**	4,977	(1,297)
Total	**$ 10,307**	10,405	9,103

The tax effects of our temporary differences that gave rise to significant portions of our deferred tax assets and liabilities are presented in the following table.

	December 31,	
(in millions)	**2014**	2013
Deferred tax assets		
Allowance for loan losses	**$ 4,592**	5,227
Deferred compensation and employee benefits	**4,608**	4,283
Accrued expenses	**1,213**	1,247
PCI loans	**1,935**	2,150
Basis difference in investments	**382**	1,084
Net operating loss and tax credit carry forwards	**631**	773
Other	**1,318**	1,720
Total deferred tax assets	**14,679**	16,484
Deferred tax assets valuation allowance	**(426)**	(457)
Deferred tax liabilities		
Mortgage servicing rights	**(5,860)**	(6,657)
Leasing	**(4,057)**	(4,274)
Mark to market, net	**(7,635)**	(5,761)
Intangible assets	**(1,494)**	(1,885)
Net unrealized gains on investment securities	**(2,737)**	(1,155)
Insurance reserves	**(2,087)**	(2,068)
Other	**(1,635)**	(1,733)
Total deferred tax liabilities	**(25,505)**	(23,533)
Net deferred tax liability (1)	**$ (11,252)**	(7,506)

(1) Included in accrued expenses and other liabilities.

Deferred taxes related to net unrealized gains (losses) on investment securities, net unrealized gains (losses) on derivatives, foreign currency translation, and employee benefit plan adjustments are recorded in cumulative OCI (see Note 23 (Other Comprehensive Income)). These associated adjustments decreased OCI by $1.3 billion in 2014.

We have determined that a valuation reserve is required for 2014 in the amount of $426 million predominantly attributable to deferred tax assets in various state and foreign jurisdictions where we believe it is more likely than not that these deferred tax assets will not be realized. In these jurisdictions, carry back limitations, lack of sources of taxable income, and tax planning strategy limitations contributed to our conclusion that the deferred tax assets would not be realizable. We have concluded that it is more likely than not that the remaining deferred tax assets will be realized based on our history of earnings, sources of taxable income in carry back periods, and our ability to implement tax planning strategies.

At December 31, 2014, we had net operating loss carry forwards with related deferred tax assets of $631 million. If these carry forwards are not utilized, they will expire in varying amounts through 2034.

At December 31, 2014, we had undistributed foreign earnings of $1.8 billion related to foreign subsidiaries. We intend to reinvest these earnings indefinitely outside the U.S. and accordingly have not provided $513 million of income tax liability on these earnings.

The following table reconciles the statutory federal income tax expense and rate to the effective income tax expense and rate. Our effective tax rate is calculated by dividing income tax expense by income before income tax expense less the net income from noncontrolling interests.

	December 31,					
		2014		2013		2012
(in millions)	**Amount**	**Rate**	Amount	Rate	Amount	Rate
Statutory federal income tax expense and rate	**$ 11,677**	**35.0%**	$ 11,299	35.0%	$ 9,800	35.0%
Change in tax rate resulting from:						
State and local taxes on income, net of federal income tax benefit	**971**	**2.9**	964	3.0	856	3.1
Tax-exempt interest	**(550)**	**(1.6)**	(490)	(1.5)	(414)	(1.5)
Excludable dividends	**(70)**	**(0.2)**	(49)	(0.2)	(132)	(0.5)
Tax credits	**(1,074)**	**(3.2)**	(967)	(3.0)	(815)	(2.9)
Life insurance	**(179)**	**(0.5)**	(173)	(0.5)	(524)	(1.9)
Leveraged lease tax expense	**158**	**0.5**	302	0.9	347	1.2
Other	**(626)**	**(2.0)**	(481)	(1.5)	(15)	—
Effective income tax expense and rate	**$ 10,307**	**30.9%**	$ 10,405	32.2%	$ 9,103	32.5%

The effective tax rate for 2014, includes a net reduction in the reserve for uncertain tax positions primarily due to the resolution of prior period matters with state taxing authorities. The effective tax rate for 2013, included a net reduction in the reserve for uncertain tax positions primarily due to settlements with authorities regarding certain cross border transactions and tax benefits recognized from the realization for tax purposes of a previously written down investment. The 2012 effective tax rate included a tax benefit resulting from the surrender of previously written-down Wachovia life insurance investments.

The change in unrecognized tax benefits follows:

	Year ended December 31,	
(in millions)	**2014**	2013
Balance at beginning of year	**$ 5,528**	6,069
Additions:		
For tax positions related to the current year	412	427
For tax positions related to prior years	324	283
Reductions:		
For tax positions related to prior years	(213)	(540)
Lapse of statute of limitations	(50)	(74)
Settlements with tax authorities	(999)	(637)
Balance at end of year	**$ 5,002**	5,528

Of the $5.0 billion of unrecognized tax benefits at December 31, 2014, approximately $3.1 billion would, if recognized, affect the effective tax rate. The remaining $1.9 billion of unrecognized tax benefits relates to income tax positions on temporary differences.

We recognize interest and penalties as a component of income tax expense. At December 31, 2014 and 2013, we have accrued approximately $660 million and $832 million for the payment of interest and penalties, respectively. In 2014, we recognized in income tax expense, a net tax benefit related to interest and penalties of $142 million. In 2013, we recognized in income tax expense, interest and penalties of $69 million.

We are subject to U.S. federal income tax as well as income tax in numerous state and foreign jurisdictions. We are routinely examined by tax authorities in these various jurisdictions. The IRS is currently examining the 2007 through 2012 consolidated federal income tax returns of Wells Fargo & Company and its subsidiaries. In addition, we are currently subject to examination by various state, local and foreign taxing authorities. With few exceptions, Wells Fargo and its subsidiaries are not subject to federal, state, local and foreign income tax examinations for taxable years prior to 2007. Wachovia Corporation and its subsidiaries are no longer subject to federal examination and, with limited exception, are no longer subject to state, local and foreign income tax examinations.

We are litigating or appealing various issues related to our prior IRS examinations for the periods 2003 through 2006, and we are appealing various issues related to IRS examinations of Wachovia's 2006 through 2008 tax years. We have paid the IRS the contested income tax and interest associated with these issues and refund claims have been filed for the respective years. During 2014 we filed a petition for certiorari to the U.S. Supreme Court, which was denied, in connection with a lease restructuring transaction. It is possible that one or more of these examinations, appeals or litigation may be resolved within the next twelve months resulting in a decrease of up to $700 million to our gross unrecognized tax benefits.

Note 22: Earnings Per Common Share

The table below shows earnings per common share and diluted earnings per common share and reconciles the numerator and denominator of both earnings per common share calculations. See Note 1 (Summary of Significant Accounting Policies) for discussion of private share repurchases and the Consolidated Statement of Changes in Equity and Note 19 (Common Stock and Stock Plans) for information about stock and options activity and terms and conditions of warrants.

			Year ended December 31,
(in millions, except per share amounts)	**2014**	2013	2012
Wells Fargo net income	**$ 23,057**	21,878	18,897
Less: Preferred stock dividends and other	**1,236**	989	898
Wells Fargo net income applicable to common stock (numerator)	**$ 21,821**	20,889	17,999
Earnings per common share			
Average common shares outstanding (denominator)	**5,237.2**	5,287.3	5,287.6
Per share	**$ 4.17**	3.95	3.40
Diluted earnings per common share			
Average common shares outstanding	**5,237.2**	5,287.3	5,287.6
Add: Stock Options	**32.9**	33.1	27.5
Restricted share rights	**41.6**	44.8	36.4
Warrants	**12.7**	6.0	—
Diluted average common shares outstanding (denominator)	**5,324.4**	5,371.2	5,351.5
Per share	**$ 4.10**	3.89	3.36

The following table presents the outstanding options and warrants to purchase shares of common stock that were anti-dilutive (the exercise price was higher than the weighted-average market price), and therefore not included in the calculation of diluted earnings per common share.

	Weighted-average shares		
	Year ended December 31,		
(in millions)	**2014**	2013	2012
Options	**8.0**	11.1	56.4
Warrants	**—**	—	39.2

Note 23: Other Comprehensive Income

The following table provides the components of other comprehensive income (OCI), reclassifications to net income by income statement line item, and the related tax effects.

	Year ended December 31,								
			2014			2013			2012
(in millions)	**Before tax**	**Tax effect**	**Net of tax**	Before tax	Tax effect	Net of tax	Before tax	Tax effect	Net of tax
Investment securities:									
Net unrealized gains (losses) arising during the period	**$ 5,426**	**(2,111)**	**3,315**	(7,661)	2,981	(4,680)	5,143	(1,921)	3,222
Reclassification of net (gains) losses to net income:									
Interest income on investment securities (1)	**(37)**	**14**	**(23)**	—	—	—	—	—	—
Net (gains) losses on debt securities	**(593)**	**224**	**(369)**	29	(11)	18	128	(48)	80
Net gains from equity investments	**(901)**	**340**	**(561)**	(314)	118	(196)	(399)	150	(249)
Other noninterest income	**(1)**	**—**	**(1)**	—	—	—	—	—	—
Subtotal reclassifications to net income	**(1,532)**	**578**	**(954)**	(285)	107	(178)	(271)	102	(169)
Net change	**3,894**	**(1,533)**	**2,361**	(7,946)	3,088	(4,858)	4,872	(1,819)	3,053
Derivatives and hedging activities:									
Net unrealized gains (losses) arising during the period	**952**	**(359)**	**593**	(32)	12	(20)	52	(12)	40
Reclassification of net (gains) losses to net income:									
Interest income on loans	**(588)**	**222**	**(366)**	(426)	156	(270)	(490)	185	(305)
Interest expense on long-term debt	**44**	**(17)**	**27**	91	(34)	57	96	(36)	60
Noninterest income	**—**	**—**	**—**	35	(13)	22	—	—	—
Salaries expense	**—**	**—**	**—**	4	(2)	2	6	(2)	4
Interest income on investment securities	**(1)**	**—**	**(1)**	—	—	—	—	—	—
Subtotal reclassifications to net income	**(545)**	**205**	**(340)**	(296)	107	(189)	(388)	147	(241)
Net change	**407**	**(154)**	**253**	(328)	119	(209)	(336)	135	(201)
Defined benefit plans adjustments:									
Net actuarial gains (losses) arising during the period	**(1,116)**	**420**	**(696)**	1,533	(578)	955	(775)	290	(485)
Reclassification of amounts to net periodic benefit costs (2):									
Amortization of net actuarial loss	**74**	**(28)**	**46**	151	(57)	94	141	(53)	88
Settlements and other	**—**	**—**	**—**	125	(46)	79	3	(1)	2
Subtotal reclassifications to net periodic benefit costs	**74**	**(28)**	**46**	276	(103)	173	144	(54)	90
Net change	**(1,042)**	**392**	**(650)**	1,809	(681)	1,128	(631)	236	(395)
Foreign currency translation adjustments:									
Net unrealized losses arising during the period	**(60)**	**(5)**	**(65)**	(44)	(7)	(51)	(6)	2	(4)
Reclassification of net gains to net income:									
Noninterest income	**6**	**—**	**6**	(12)	5	(7)	(10)	4	(6)
Net change	**(54)**	**(5)**	**(59)**	(56)	(2)	(58)	(16)	6	(10)
Other comprehensive income (loss)	**$ 3,205**	**(1,300)**	**1,905**	(6,521)	2,524	(3,997)	3,889	(1,442)	2,447
Less: Other comprehensive income (loss) from noncontrolling interests, net of tax			**(227)**			267			4
Wells Fargo other comprehensive income (loss), net of tax			**$ 2,132**			(4,264)			2,443

(1) Represents unrealized gains amortized over the remaining lives of securities that were transferred from the available-for-sale portfolio to the held-to-maturity portfolio.
(2) These items are included in the computation of net periodic benefit cost, which is recorded in employee benefits expense (see Note 20 (Employee Benefits and Other Expenses) for additional details).

Note 23: Other Comprehensive Income *(continued)*

Cumulative OCI balances were:

(in millions)	Investment securities	Derivatives and hedging activities	Defined benefit plans adjustments	Foreign currency translation adjustments	Cumulative other comprehensive income
Balance, December 31, 2011	$ 4,413	490	(1,786)	90	3,207
Net unrealized gains (losses) arising during the period	3,222	40	(485)	(4)	2,773
Amounts reclassified from accumulated other comprehensive income	(169)	(241)	90	(6)	(326)
Net change	3,053	(201)	(395)	(10)	2,447
Less: Other comprehensive income from noncontrolling interests	4	—	—	—	4
Balance, December 31, 2012	7,462	289	(2,181)	80	5,650
Net unrealized gains (losses) arising during the period	(4,680)	(20)	955	(51)	(3,796)
Amounts reclassified from accumulated other comprehensive income	(178)	(189)	173	(7)	(201)
Net change	(4,858)	(209)	1,128	(58)	(3,997)
Less: Other comprehensive income from noncontrolling interests	266	—	—	1	267
Balance, December 31, 2013	2,338	80	(1,053)	21	1,386
Net unrealized gains (losses) arising during the period	**3,315**	**593**	**(696)**	**(65)**	**3,147**
Amounts reclassified from accumulated other comprehensive income	**(954)**	**(340)**	**46**	**6**	**(1,242)**
Net change	**2,361**	**253**	**(650)**	**(59)**	**1,905**
Less: Other comprehensive loss from noncontrolling interests	**(227)**	**—**	**—**	**—**	**(227)**
Balance, December 31, 2014	**$ 4,926**	**333**	**(1,703)**	**(38)**	**3,518**

Note 24: Operating Segments

We have three reportable operating segments: Community Banking; Wholesale Banking; and Wealth, Brokerage and Retirement. The results for these reportable operating segments are based on our management accounting process, for which there is no comprehensive, authoritative guidance equivalent to GAAP for financial accounting. The management accounting process measures the performance of the operating segments based on our management structure and is not necessarily comparable with similar information for other financial services companies. We define our operating segments by product type and customer segment. If the management structure and/or the allocation process changes, allocations, transfers and assignments may change.

Community Banking offers a complete line of diversified financial products and services to consumers and small businesses with annual sales generally up to $20 million in which the owner generally is the financial decision maker. Community Banking also offers investment management and other services to retail customers and securities brokerage through affiliates. These products and services include the *Wells Fargo Advantage Funds*℠, a family of mutual funds. Loan products include lines of credit, auto floor plan lines, equity lines and loans, equipment and transportation loans, education loans, origination and purchase of residential mortgage loans and servicing of mortgage loans and credit cards. Other credit products and financial services available to small businesses and their owners include equipment leases, real estate and other commercial financing, Small Business Administration financing, venture capital financing, cash management, payroll services, retirement plans, Health Savings Accounts, credit cards, and merchant payment processing. Community Banking also offers private label financing solutions for retail merchants across the United States and purchases retail installment contracts from auto dealers in the United States and Puerto Rico. Consumer and business deposit products include checking accounts, savings deposits, market rate accounts, Individual Retirement Accounts, time deposits, global remittance and debit cards.

Community Banking serves customers through a complete range of channels, including traditional banking stores, in-store banking centers, business centers, ATMs, Online and Mobile Banking, and *Wells Fargo Customer Connection,* a 24-hours a day, seven days a week telephone service.

The Community Banking segment also includes the results of our Corporate Treasury activities net of allocations in support of other segments and results of investments in our affiliated venture capital partnerships.

Wholesale Banking provides financial solutions to businesses across the United States with annual sales generally in excess of $20 million and to financial institutions globally. Wholesale Banking provides a complete line of commercial, corporate, capital markets, cash management and real estate banking products and services. These include traditional commercial loans and lines of credit, letters of credit, asset-based lending, equipment leasing, international trade facilities, trade financing, collection services, foreign exchange services, treasury management, investment management, institutional fixed-income sales, interest rate, commodity and equity risk management, online/electronic products such as the *Commercial Electronic Office*® (*CEO*®) portal, insurance, corporate trust fiduciary and agency services, and investment banking services. Wholesale Banking manages customer investments through institutional separate accounts and mutual funds, including the Wells Fargo Advantage Funds and Wells Capital Management. Wholesale Banking also supports the CRE market with products and services such as construction loans for commercial and residential development, land acquisition and development loans, secured and unsecured lines of credit, interim financing arrangements for completed structures, rehabilitation loans, affordable housing loans and letters of credit, permanent loans for securitization, CRE loan servicing and real estate and mortgage brokerage services.

Wealth, Brokerage and Retirement provides a full range of financial advisory services to clients using a planning approach to meet each client's financial needs. Wealth Management provides affluent and high net worth clients with a complete range of wealth management solutions, including financial planning, private banking, credit, investment management and fiduciary services. Abbot Downing, a Wells Fargo business, provides comprehensive wealth management services to ultra-high net worth families and individuals as well as endowments and foundations. Brokerage serves customers' advisory, brokerage and financial needs as part of one of the largest full-service brokerage firms in the United States. Retirement is a national leader in providing institutional retirement and trust services (including 401(k) and pension plan record keeping) for businesses and reinsurance services for the life insurance industry.

Other includes items not assigned to a specific business segment and elimination of certain items that are included in more than one business segment, substantially all of which represents products and services for wealth management customers provided in Community Banking stores.

Note 24: Operating Segments *(continued)*

(income/expense in millions, average balances in billions)	Community Banking	Wholesale Banking	Wealth, Brokerage and Retirement	Other (1)	Consolidated Company
2014					
Net interest income (2)	**$ 29,709**	**$ 11,955**	**$ 3,179**	**$ (1,316)**	**$ 43,527**
Provision (reversal of provision) for credit losses	**1,681**	**(266)**	**(50)**	**30**	**1,395**
Noninterest income	**21,153**	**11,527**	**11,039**	**(2,899)**	**40,820**
Noninterest expense	**28,126**	**12,975**	**10,907**	**(2,971)**	**49,037**
Income (loss) before income tax expense (benefit)	**21,055**	**10,773**	**3,361**	**(1,274)**	**33,915**
Income tax expense (benefit)	**6,350**	**3,165**	**1,276**	**(484)**	**10,307**
Net income (loss) before noncontrolling interests	**14,705**	**7,608**	**2,085**	**(790)**	**23,608**
Less: Net income from noncontrolling interests	**525**	**24**	**2**	**—**	**551**
Net income (loss) (3)	**$ 14,180**	**$ 7,584**	**$ 2,083**	**$ (790)**	**$ 23,057**
2013					
Net interest income (2)	$ 28,839	$ 12,298	$ 2,888	$ (1,225)	$ 42,800
Provision (reversal of provision) for credit losses	2,755	(445)	(16)	15	2,309
Noninterest income	21,500	11,766	10,315	(2,601)	40,980
Noninterest expense	28,723	12,378	10,455	(2,714)	48,842
Income (loss) before income tax expense (benefit)	18,861	12,131	2,764	(1,127)	32,629
Income tax expense (benefit)	5,799	3,984	1,050	(428)	10,405
Net income (loss) before noncontrolling interests	13,062	8,147	1,714	(699)	22,224
Less: Net income from noncontrolling interests	330	14	2	—	346
Net income (loss) (3)	$ 12,732	$ 8,133	$ 1,712	$ (699)	$ 21,878
2012					
Net interest income (2)	$ 29,045	$ 12,648	$ 2,768	$ (1,231)	$ 43,230
Provision (reversal of provision) for credit losses	6,835	286	125	(29)	7,217
Noninterest income	24,360	11,444	9,392	(2,340)	42,856
Noninterest expense	30,840	12,082	9,893	(2,417)	50,398
Income (loss) before income tax expense (benefit)	15,730	11,724	2,142	(1,125)	28,471
Income tax expense (benefit)	4,774	3,943	814	(428)	9,103
Net income (loss) before noncontrolling interests	10,956	7,781	1,328	(697)	19,368
Less: Net income from noncontrolling interests	464	7	—	—	471
Net income (loss) (3)	$ 10,492	$ 7,774	$ 1,328	$ (697)	$ 18,897
2014					
Average loans	**$ 503.2**	**313.4**	**52.1**	**(34.3)**	**834.4**
Average assets	**934.2**	**544.2**	**189.8**	**(74.9)**	**1,593.3**
Average core deposits	**642.3**	**274.0**	**154.9**	**(67.6)**	**1,003.6**
2013					
Average loans	499.3	287.7	46.1	(30.4)	802.7
Average assets	835.4	500.0	180.9	(70.3)	1,446.0
Average core deposits	620.1	237.2	150.1	(65.3)	942.1

(1) Includes corporate items not specific to a business segment and the elimination of certain items that are included in more than one business segment, substantially all of which represents products and services for wealth management customers provided in Community Banking stores.
(2) Net interest income is the difference between interest earned on assets and the cost of liabilities to fund those assets. Interest earned includes actual interest earned on segment assets and, if the segment has excess liabilities, interest credits for providing funding to other segments. The cost of liabilities includes interest expense on segment liabilities and, if the segment does not have enough liabilities to fund its assets, a funding charge based on the cost of excess liabilities from another segment.
(3) Represents segment net income (loss) for Community Banking; Wholesale Banking; and Wealth, Brokerage and Retirement segments and Wells Fargo net income for the consolidated company.

Note 25: Parent-Only Financial Statements

The following tables present Parent-only condensed financial statements.

Parent-Only Statement of Income

	Year ended December 31,		
(in millions)	**2014**	2013	2012
Income			
Dividends from subsidiaries:			
Bank	**$ 15,077**	10,612	11,767
Nonbank	**526**	33	1,150
Interest income from subsidiaries	**772**	848	897
Other interest income	**216**	240	222
Other income	**1,032**	484	267
Total income	**17,623**	12,217	14,303
Expense			
Interest expense:			
Indebtedness to nonbank subsidiaries	**357**	334	287
Short-term borrowings	**7**	5	1
Long-term debt	**1,540**	1,546	1,877
Other	**5**	15	23
Noninterest expense	**797**	1,175	1,127
Total expense	**2,706**	3,075	3,315
Income before income tax benefit and equity in undistributed income of subsidiaries	**14,917**	9,142	10,988
Income tax benefit	**(926)**	(570)	(903)
Equity in undistributed income of subsidiaries	**7,214**	12,166	7,006
Net income	**$ 23,057**	21,878	18,897

Note 25: Parent-Only Financial Statements *(continued)*

Parent-Only Statement of Comprehensive Income

	Year ended December 31,		
(in millions)	**2014**	2013	2012
Net income	**$ 23,057**	21,878	18,897
Other comprehensive income (loss), net of tax:			
Investment securities	**142**	(248)	61
Derivatives and hedging activities	**12**	39	31
Defined benefit plans adjustment	**(633)**	1,136	(379)
Equity in other comprehensive income (loss) of subsidiaries	**2,611**	(5,191)	2,730
Other comprehensive income (loss), net of tax:	**2,132**	(4,264)	2,443
Total comprehensive income	**$ 25,189**	17,614	21,340

Parent-Only Balance Sheet

	December 31,	
(in millions)	**2014**	2013
Assets		
Cash and cash equivalents due from:		
Subsidiary banks	**$ 43,843**	42,386
Nonaffiliates	**3**	3
Investment securities issued by:		
Subsidiary banks	**10,001**	—
Nonaffiliates	**10,753**	11,652
Loans to subsidiaries:		
Bank	**18,166**	7,140
Nonbank	**35,783**	38,504
Investments in subsidiaries:		
Bank	**162,806**	154,577
Nonbank	**24,567**	21,852
Other assets	**6,225**	7,329
Total assets	**$ 312,147**	283,443
Liabilities and equity		
Short-term borrowings	**$ 2,270**	5,121
Accrued expenses and other liabilities	**6,984**	7,241
Long-term debt	**97,275**	81,721
Indebtedness to nonbank subsidiaries	**21,224**	19,218
Total liabilities	**127,753**	113,301
Stockholders' equity	**184,394**	170,142
Total liabilities and equity	**$ 312,147**	283,443

Parent-Only Statement of Cash Flows

(in millions)		2014	2013	2012
			Year ended December 31,	
Cash flows from operating activities:				
Net cash provided by operating activities	**$**	**18,019**	8,607	13,365
Cash flows from investing activities:				
Available-for-sale securities:				
Sales proceeds		**1,196**	3,606	6,171
Prepayments and maturities:				
Subsidiary banks		**25**	—	—
Nonaffiliates		**—**	12	30
Purchases:				
Subsidiary banks		**(10,025)**	—	—
Nonaffiliates		**(14)**	(6,016)	(5,845)
Loans:				
Net repayments from (advances to) subsidiaries		**(2,199)**	655	9,191
Capital notes and term loans made to subsidiaries		**(11,275)**	(6,700)	(1,850)
Principal collected on notes/loans made to subsidiaries		**2,526**	1,472	2,462
Net increase in investment in subsidiaries		**(1,096)**	(1,188)	(5,218)
Other, net		**470**	461	(2)
Net cash provided (used) by investing activities		**(20,392)**	(7,698)	4,939
Cash flows from financing activities:				
Net increase in short-term borrowings and indebtedness to subsidiaries		**2,314**	6,732	5,456
Long-term debt:				
Proceeds from issuance		**22,627**	18,714	16,989
Repayment		**(8,659)**	(13,096)	(18,693)
Preferred stock:				
Proceeds from issuance		**2,775**	3,145	1,377
Cash dividends paid		**(1,235)**	(1,017)	(892)
Common stock warrants repurchased		**—**	—	(1)
Common stock:				
Proceeds from issuance		**1,840**	2,224	2,091
Repurchased		**(9,414)**	(5,356)	(3,918)
Cash dividends paid		**(6,908)**	(5,953)	(4,565)
Excess tax benefits related to stock option payments		**453**	271	226
Other, net		**37**	114	(14)
Net cash provided (used) by financing activities		**3,830**	5,778	(1,944)
Net change in cash and due from banks		**1,457**	**6,687**	**16,360**
Cash and due from banks at beginning of year		**42,389**	35,702	19,342
Cash and due from banks at end of year	**$**	**43,846**	42,389	35,702

Note 26: Regulatory and Agency Capital Requirements

The Company and each of its subsidiary banks are subject to regulatory capital adequacy requirements promulgated by federal bank regulatory agencies. The Federal Reserve establishes capital requirements, including well capitalized standards, for the consolidated financial holding company, and the OCC has similar requirements for the Company's national banks, including Wells Fargo Bank, N.A. (the Bank).

The following table presents regulatory capital information for Wells Fargo & Company and the Bank. Information presented for December 31, 2014, reflects the transition to Basel III capital requirements from previous regulatory capital adequacy guidelines under Basel I effective in 2013. Among other matters, Basel III revises the definition of capital, and changes are being phased-in effective January 1, 2014, through the end of 2021, with regulatory capital ratios determined using Basel III (General Approach) risk-weighted assets during 2014. Under the Basel III (General Approach), at December 31, 2014, the Company's Common Equity Tier 1 capital was $137.1 billion, or 11.04% of risk-weighted assets, and the Bank's Common Equity Tier 1 capital was $119.9 billion, or 10.49% of risk-weighted assets.

We do not consolidate our wholly-owned trust (the Trust) formed solely to issue trust preferred and preferred purchase securities (the Securities). Securities issued by the Trust includable in Tier 2 capital were $2.1 billion at December 31, 2014. Under the new Basel III capital requirements, our remaining trust preferred and preferred purchase securities will begin amortizing in 2016 and will no longer count as Tier 2 capital in 2022.

The Bank is an approved seller/servicer of mortgage loans and is required to maintain minimum levels of shareholders' equity, as specified by various agencies, including the United States Department of Housing and Urban Development, GNMA, FHLMC and FNMA. At December 31, 2014, the Bank met these requirements. Other subsidiaries, including the Company's insurance and broker-dealer subsidiaries, are also subject to various minimum capital levels, as defined by applicable industry regulations. The minimum capital levels for these subsidiaries, and related restrictions, are not significant to our consolidated operations.

	Wells Fargo & Company		Wells Fargo Bank, N.A.			
	Under Basel III (General Approach)	Under Basel I	**Under Basel III (General Approach)**	Under Basel I	Well-capitalized	Minimum capital
				December 31,		
(in billions, except ratios)	**2014**	2013	**2014**	2013	ratios (1)	ratios (1)
Regulatory capital:						
Tier 1	**$ 154.7**	140.7	**119.9**	110.0		
Total	**192.9**	176.2	**144.0**	136.4		
Assets:						
Risk-weighted	**$ 1,242.5**	1,141.5	**1,142.5**	1,057.3		
Adjusted average (2)	**1,637.0**	1,466.7	**1,487.6**	1,324.0		
Capital ratios:						
Tier 1 capital	**12.45%**	12.33	**10.49**	10.40	6.00	4.00
Total capital	**15.53**	15.43	**12.61**	12.90	10.00	8.00
Tier 1 leverage (2)	**9.45**	9.60	**8.06**	8.31	5.00	4.00

(1) As defined by the regulations issued by the Federal Reserve, OCC and FDIC.
(2) The leverage ratio consists of Tier 1 capital divided by quarterly average total assets, excluding goodwill and certain other items. The minimum leverage ratio guideline is 3% for banking organizations that do not anticipate significant growth and that have well-diversified risk, excellent asset quality, high liquidity, good earnings, effective management and monitoring of market risk and, in general, are considered top-rated, strong banking organizations.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Wells Fargo & Company:

We have audited the accompanying consolidated balance sheet of Wells Fargo & Company and Subsidiaries (the Company) as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2014 and 2013, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control – Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 25, 2015, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

KPMG LLP

San Francisco, California
February 25, 2015

Quarterly Financial Data

Condensed Consolidated Statement of Income - Quarterly (Unaudited)

	2014 Quarter ended				2013 Quarter ended			
(in millions, except per share amounts)	**Dec 31,**	**Sep 30,**	**Jun 30,**	**Mar 31,**	Dec 31,	Sep 30,	Jun 30,	Mar 31,
Interest income	**$12,183**	**11,964**	**11,793**	**11,612**	11,836	11,776	11,827	11,650
Interest expense	**1,003**	**1,023**	**1,002**	**997**	1,033	1,028	1,077	1,151
Net interest income	**11,180**	**10,941**	**10,791**	**10,615**	10,803	10,748	10,750	10,499
Provision for credit losses	**485**	**368**	**217**	**325**	363	75	652	1,219
Net interest income after provision for credit losses	**10,695**	**10,573**	**10,574**	**10,290**	10,440	10,673	10,098	9,280
Noninterest income								
Service charges on deposit accounts	**1,241**	**1,311**	**1,283**	**1,215**	1,283	1,278	1,248	1,214
Trust and investment fees	**3,705**	**3,554**	**3,609**	**3,412**	3,458	3,276	3,494	3,202
Card fees	**925**	**875**	**847**	**784**	827	813	813	738
Other fees	**1,124**	**1,090**	**1,088**	**1,047**	1,119	1,098	1,089	1,034
Mortgage banking	**1,515**	**1,633**	**1,723**	**1,510**	1,570	1,608	2,802	2,794
Insurance	**382**	**388**	**453**	**432**	453	413	485	463
Net gains from trading activities	**179**	**168**	**382**	**432**	325	397	331	570
Net gains (losses) on debt securities	**186**	**253**	**71**	**83**	(14)	(6)	(54)	45
Net gains from equity investments	**372**	**712**	**449**	**847**	654	502	203	113
Lease income	**127**	**137**	**129**	**133**	148	160	225	130
Other	**507**	**151**	**241**	**115**	39	191	(8)	457
Total noninterest income	**10,263**	**10,272**	**10,275**	**10,010**	9,862	9,730	10,628	10,760
Noninterest expense								
Salaries	**3,938**	**3,914**	**3,795**	**3,728**	3,811	3,910	3,768	3,663
Commission and incentive compensation	**2,582**	**2,527**	**2,445**	**2,416**	2,347	2,401	2,626	2,577
Employee benefits	**1,124**	**931**	**1,170**	**1,372**	1,160	1,172	1,118	1,583
Equipment	**581**	**457**	**445**	**490**	567	471	418	528
Net occupancy	**730**	**731**	**722**	**742**	732	728	716	719
Core deposit and other intangibles	**338**	**342**	**349**	**341**	375	375	377	377
FDIC and other deposit assessments	**231**	**229**	**225**	**243**	196	214	259	292
Other	**3,123**	**3,117**	**3,043**	**2,616**	2,897	2,831	2,973	2,661
Total noninterest expense	**12,647**	**12,248**	**12,194**	**11,948**	12,085	12,102	12,255	12,400
Income before income tax expense	**8,311**	**8,597**	**8,655**	**8,352**	8,217	8,301	8,471	7,640
Income tax expense	**2,519**	**2,642**	**2,869**	**2,277**	2,504	2,618	2,863	2,420
Net income before noncontrolling interests	**5,792**	**5,955**	**5,786**	**6,075**	5,713	5,683	5,608	5,220
Less: Net income from noncontrolling interests	**83**	**226**	**60**	**182**	103	105	89	49
Wells Fargo net income	**$ 5,709**	**5,729**	**5,726**	**5,893**	5,610	5,578	5,519	5,171
Less: Preferred stock dividends and other	**327**	**321**	**302**	**286**	241	261	247	240
Wells Fargo net income applicable to common stock	**5,382**	**5,408**	**5,424**	**5,607**	5,369	5,317	5,272	4,931
Per share information								
Earnings per common share	**$ 1.04**	**1.04**	**1.02**	**1.07**	1.02	1.00	1.00	0.93
Diluted earnings per common share	**1.02**	**1.02**	**1.01**	**1.05**	1.00	0.99	0.98	0.92
Dividends declared per common share	**0.35**	**0.35**	**0.35**	**0.30**	0.30	0.30	0.30	0.25
Average common shares outstanding	**5,192.5**	**5,225.9**	**5,268.4**	**5,262.8**	5,270.3	5,295.3	5,304.7	5,279.0
Diluted average common shares outstanding	**5,279.2**	**5,310.4**	**5,350.8**	**5,353.3**	5,358.6	5,381.7	5,384.6	5,353.5
Market price per common share (1)								
High	**$ 55.95**	**53.80**	**53.05**	**49.97**	45.64	44.79	41.74	38.20
Low	**46.44**	**49.47**	**46.72**	**44.17**	40.07	40.79	36.19	34.43
Quarter-end	**54.82**	**51.87**	**52.56**	**49.74**	45.40	41.32	41.27	36.99

(1) Based on daily prices reported on the New York Stock Exchange Composite Transaction Reporting System.

Average Balances, Yields and Rates Paid (Taxable-Equivalent basis) - Quarterly (1)(2) - (Unaudited)

	Quarter ended December 31,					
	2014			2013		
(in millions)	Average balance	Yields/ rates	Interest income/ expense	Average balance	Yields/ rates	Interest income/ expense
Earning assets						
Federal funds sold, securities purchased under resale agreements and other short-term investments	$ 268,109	0.28%	$ 188	205,276	0.28%	$ 148
Trading assets	60,383	3.21	485	45,379	3.40	386
Investment securities (3):						
Available-for-sale securities:						
Securities of U.S. Treasury and federal agencies	19,506	1.55	76	6,611	1.67	27
Securities of U.S. states and political subdivisions	43,891	4.30	472	42,025	4.38	460
Mortgage-backed securities:						
Federal agencies	109,270	2.78	760	117,910	2.94	866
Residential and commercial	24,711	5.89	364	29,233	6.35	464
Total mortgage-backed securities	133,981	3.36	1,124	147,143	3.62	1,330
Other debt and equity securities	44,980	3.87	438	55,325	3.43	478
Total available-for-sale securities	242,358	3.48	2,110	251,104	3.65	2,295
Held-to-maturity securities:						
Securities of U.S. Treasury and federal agencies	32,930	2.25	187	—	—	—
Securities of U.S. states and political subdivisions	902	4.92	11	—	—	—
Federal agency mortgage-backed securities	5,586	2.07	29	2,780	3.11	22
Other debt securities	6,118	1.81	27	65	1.99	—
Total held-to-maturity securities	45,536	2.22	254	2,845	3.09	22
Total investment securities	287,894	3.28	2,364	253,949	3.65	2,317
Mortgages held for sale (4)	19,191	3.90	187	21,396	4.13	221
Loans held for sale (4)	6,968	1.43	25	138	8.21	3
Loans:						
Commercial:						
Commercial and industrial - U.S.	218,297	3.32	1,825	189,939	3.54	1,696
Commercial and industrial - Non U.S.	43,049	2.03	221	41,062	1.88	194
Real estate mortgage	112,277	3.69	1,044	110,674	3.90	1,087
Real estate construction	18,336	4.33	200	16,744	4.76	201
Lease financing	12,268	5.35	164	12,085	5.68	171
Total commercial	404,227	3.39	3,454	370,504	3.59	3,349
Consumer:						
Real estate 1-4 family first mortgage	264,799	4.16	2,754	257,265	4.15	2,672
Real estate 1-4 family junior lien mortgage	60,177	4.28	648	66,809	4.29	721
Credit card	29,477	11.71	870	25,865	12.23	798
Automobile	55,457	6.08	849	50,213	6.70	849
Other revolving credit and installment	35,292	6.01	534	42,662	4.94	531
Total consumer	445,202	5.06	5,655	442,814	5.01	5,571
Total loans (4)	849,429	4.27	9,109	813,318	4.36	8,920
Other	4,829	5.30	64	4,728	5.22	61
Total earning assets	$ 1,496,803	3.31%	$ 12,422	1,344,184	3.57%	$ 12,056
Funding sources						
Deposits:						
Interest-bearing checking	$ 40,498	0.06%	$ 6	35,171	0.07%	$ 6
Market rate and other savings	593,940	0.07	99	568,750	0.08	110
Savings certificates	35,870	0.80	72	43,067	0.94	102
Other time deposits	56,119	0.39	55	39,700	0.48	47
Deposits in foreign offices	99,289	0.15	37	86,333	0.15	32
Total interest-bearing deposits	825,716	0.13	269	773,021	0.15	297
Short-term borrowings	64,676	0.12	19	52,286	0.12	15
Long-term debt	183,286	1.35	620	153,470	1.65	635
Other liabilities	15,580	2.44	96	12,822	2.70	87
Total interest-bearing liabilities	1,089,258	0.37	1,004	991,599	0.42	1,034
Portion of noninterest-bearing funding sources	407,545	—	—	352,585	—	—
Total funding sources	$ 1,496,803	0.27	1,004	1,344,184	0.30	1,034
Net interest margin and net interest income on a taxable-equivalent basis (5)		3.04%	$ 11,418		3.27%	$ 11,022
Noninterest-earning assets						
Cash and due from banks	$ 16,932			15,998		
Goodwill	25,705			25,637		
Other	124,320			119,947		
Total noninterest-earning assets	$ 166,957			161,582		
Noninterest-bearing funding sources						
Deposits	$ 324,080			287,379		
Other liabilities	65,672			57,138		
Total equity	184,750			169,650		
Noninterest-bearing funding sources used to fund earning assets	(407,545)			(352,585)		
Net noninterest-bearing funding sources	$ 166,957			161,582		
Total assets	$ 1,663,760			1,505,766		

(1) Our average prime rate was 3.25% for the quarters ended December 31, 2014 and 2013. The average three-month London Interbank Offered Rate (LIBOR) was 0.24% for the same quarters.
(2) Yield/rates and amounts include the effects of hedge and risk management activities associated with the respective asset and liability categories.
(3) Yields and rates are based on interest income/expense amounts for the period, annualized based on the accrual basis for the respective accounts. The average balance amounts represent amortized cost for the periods presented.
(4) Nonaccrual loans and related income are included in their respective loan categories.
(5) Includes taxable-equivalent adjustments of $238 million and $219 million for the quarters ended December 31, 2014 and 2013, respectively, primarily related to tax-exempt income on certain loans and securities. The federal statutory tax rate was 35% for the periods presented.

Glossary of Acronyms

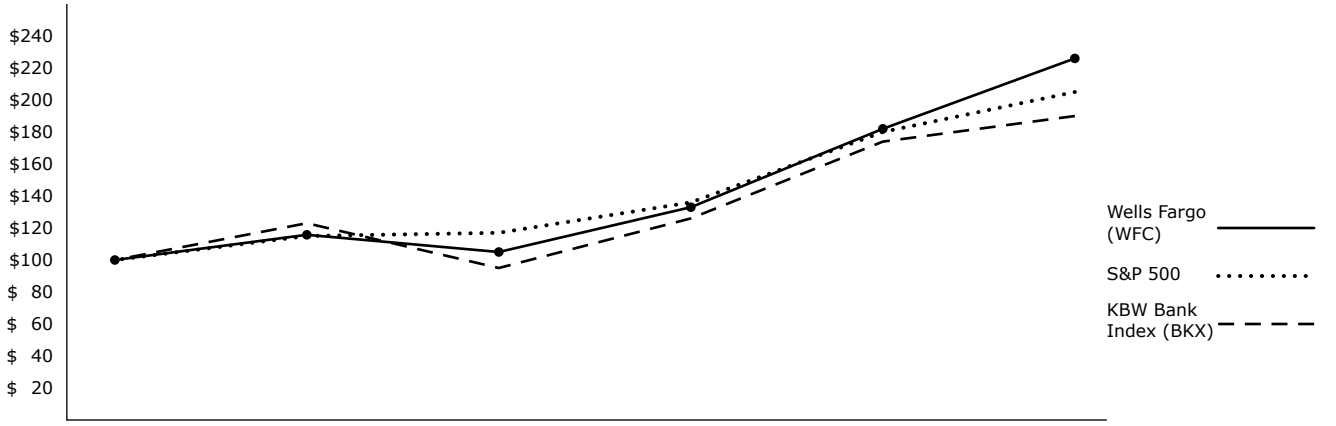
ABS	Asset-backed securities
ACL	Allowance for credit losses
ALCO	Asset/Liability Management Committee
ARM	Adjustable-rate mortgage
ARS	Auction rate security
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
AVM	Automated valuation model
BCBS	Basel Committee on Bank Supervision
BHC	Bank holding company
CCAR	Comprehensive Capital Analysis and Review
CD	Certificate of deposit
CDO	Collateralized debt obligation
CDS	Credit default swaps
CET1	Common Equity Tier 1
CFTC	U. S. Commodity Futures Trading Commission
CLO	Collateralized loan obligation
CLTV	Combined loan-to-value
CMBS	Commercial mortgage-backed securities
CPP	Capital Purchase Program
CRE	Commercial real estate
DOJ	U. S. Department of Justice
DPD	Days past due
ESOP	Employee Stock Ownership Plan
FAS	Statement of Financial Accounting Standards
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
FFELP	Federal Family Education Loan Program
FHA	Federal Housing Administration
FHFA	Federal Housing Finance Agency
FHLB	Federal Home Loan Bank
FHLMC	Federal Home Loan Mortgage Corporation
FICO	Fair Isaac Corporation (credit rating)
FNMA	Federal National Mortgage Association
FRB	Board of Governors of the Federal Reserve System
FSB	Financial Stability Board
GAAP	Generally accepted accounting principles
GNMA	Government National Mortgage Association
GSE	Government-sponsored entity
G-SIB	Globally systemic important bank
HAMP	Home Affordability Modification Program
HPI	Home Price Index
HUD	U.S. Department of Housing and Urban Development
LCR	Liquidity coverage ratio
LHFS	Loans held for sale
LIBOR	London Interbank Offered Rate
LIHTC	Low-Income Housing Tax Credit
LOCOM	Lower of cost or market value
LTV	Loan-to-value
MBS	Mortgage-backed security
MHA	Making Home Affordable programs
MHFS	Mortgages held for sale
MSR	Mortgage servicing right
MTN	Medium-term note
NAV	Net asset value
NPA	Nonperforming asset
OCC	Office of the Comptroller of the Currency
OCI	Other comprehensive income
OTC	Over-the-counter
OTTI	Other-than-temporary impairment
PCI Loans	Purchased credit-impaired loans
PTPP	Pre-tax pre-provision profit
RBC	Risk-based capital
RMBS	Residential mortgage-backed securities
ROA	Wells Fargo net income to average total assets
ROE	Wells Fargo net income applicable to common stock to average Wells Fargo common stockholders' equity
RWAs	Risk-weighted assets
SEC	Securities and Exchange Commission
S&P	Standard & Poor's Ratings Services
SPE	Special purpose entity
TARP	Troubled Asset Relief Program
TDR	Troubled debt restructuring
VA	Department of Veterans Affairs
VaR	Value-at-Risk
VIE	Variable interest entity
WFCC	Wells Fargo Canada Corporation

Stock Performance

These graphs compare the cumulative total stockholder return and total compound annual growth rate (CAGR) for our common stock (NYSE: WFC) for the five- and ten-year periods ended December 31, 2014, with the cumulative total stockholder returns for the same periods for the Keefe, Bruyette and Woods (KBW) Total Return Bank Index (KBW Bank Index (BKX)) and the S&P 500 Index.

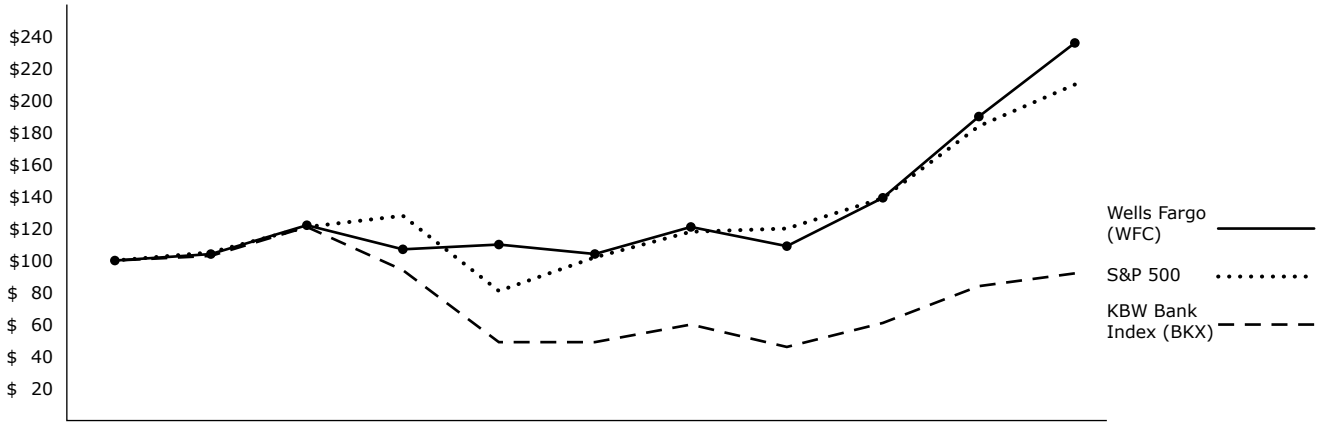
The cumulative total stockholder returns (including reinvested dividends) in the graphs assume the investment of $100 in Wells Fargo's common stock, the KBW Bank Index and the S&P 500 Index.

Five Year Performance Graph



	2009	2010	2011	2012	2013	2014	5-year CAGR	
Wells Fargo	**$100**	**$116**	**$105**	**$133**	**$182**	**$226**	**18%**	**Wells Fargo**
S&P 500	100	115	117	136	180	205	15%	S&P 500
KBW Bank Index	100	123	95	126	174	190	14%	KBW Bank Index

Ten Year Performance Graph



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	10-year CAGR	
Wells Fargo	**$100**	**$104**	**$122**	**$107**	**$110**	**$104**	**$121**	**$109**	**$139**	**$190**	**$236**	**9%**	**Wells Fargo**
S&P 500	100	105	121	128	81	102	118	120	139	184	210	8%	S&P 500
KBW Bank Index	100	103	121	94	49	49	60	46	61	84	92	(1)%	KBW Bank Index

Wells Fargo & Company

Wells Fargo & Company (NYSE: WFC) is a nationwide, diversified, community-based financial services company with $1.7 trillion in assets. Founded in 1852 and headquartered in San Francisco, Wells Fargo provides banking, insurance, investments, mortgage, and consumer and commercial finance services through more than 8,700 locations, 12,500 ATMs, the internet, and mobile banking, and has offices in 36 countries to support customers who conduct business in the global economy. With approximately 265,000 team members, Wells Fargo serves one in three households in the United States. Wells Fargo & Company was ranked No. 29 on *Fortune*'s 2014 rankings of America's largest corporations. Wells Fargo's vision is to satisfy all our customers' financial needs and help them succeed financially. Wells Fargo perspectives are also available at Wells Fargo Blogs and Wells Fargo Stories.

Common stock

Wells Fargo & Company is listed and trades on the New York Stock Exchange: WFC

5,170,349,198 common shares outstanding (12/31/14)

Stock purchase and dividend reinvestment

You can buy Wells Fargo stock directly from Wells Fargo, even if you're not a Wells Fargo stockholder, through optional cash payments or automatic monthly deductions from a bank account. You can also have your dividends reinvested automatically. It's a convenient, economical way to increase your Wells Fargo investment.

Call 1-877-840-0492 for an enrollment kit including a plan prospectus.

Form 10-K

We will send Wells Fargo's 2014 Annual Report on Form 10-K (including the financial statements filed with the Securities and Exchange Commission) free to any stockholder who asks for a copy in writing. Stockholders also can ask for copies of any exhibit to the Form 10-K. We will charge a fee to cover expenses to prepare and send any exhibits. Please send requests to: Corporate Secretary, Wells Fargo & Company, One Wells Fargo Center, MAC D1053-300, 301 S. College Street, 30th Floor, Charlotte, North Carolina 28202.

SEC filings

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports are available free of charge on our website (www.wellsfargo.com) as soon as practical after they are electronically filed with or furnished to the SEC. Those reports and amendments are also available free of charge on the SEC's website at www.sec.gov.

Forward-looking statements

This Annual Report, including the Financial Review and the Financial Statements and related Notes, contains forward-looking statements, which may include forecasts of our financial results and condition, expectations for our operations and business, and our assumptions for those forecasts and expectations. Do not unduly rely on forward-looking statements. Actual results may differ materially from our forward-looking statements due to several factors. Some of these factors are described in the Financial Review and in the Financial Statements and related Notes. For a discussion of other factors, refer to "Forward-Looking Statements" and "Risk Factors" in the Financial Review.

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Annual Stockholders' Meeting
8:30 a.m. Central Time
Tuesday, April 28, 2015
The Ritz-Carlton, St. Louis
100 Carondelet Plaza
St. Louis, Missouri 63105

Strong for our customers and communities

Company

8th
Biggest Public Company in the World [1] (2014) *Forbes*

11th
Most Respected Company in the World (2014) *Barron's*

29th
Biggest Company by Revenue in the U.S. (2014) *Fortune*

35th
Most Admired Company in the World (2014) *Fortune*

Best U.S. Bank (2014) *The Banker* magazine

Best Global Bank (2013) *Euromoney*

Best U.S. Bank (2013) *Euromoney*

Most Admired Bank Outside of Asia Pacific and Gulf Regions (2013) *Asian Banker*

FImetrix Distinguished Provider for Transaction Services (2013 and 2014) *FImetrix*

Best Bank for Payments and Collections (North America) (2014) *Global Finance* magazine

Brand

Most Valuable Bank Brand in World (2014) *Brand Finance*

Most Valuable Brand in Banking (2014) **Top 100 Most Valuable Global Brands**, BrandZ™ [2]

Innovation leadership

Best Corporate/Institutional Internet Bank – United States (World's Best Corporate/Institutional Internet Banks in North America, 2014) *Global Finance* magazine

Best Online Treasury Services, Best Investment Management Services, Best in Mobile Banking, Best Web Site Design, Best Social Media, Best Mobile App, Best SMS/Text Banking (World's Best Corporate/Institutional Internet Banks in North America, 2014) *Global Finance* magazine

#1 in Overall Mobile Performance, Ease of Use, and Quality & Availability (2014) Keynote Competitive Research

Best Mobile App (Best Banks in America) (2014) *Money* magazine

Best iPhone and Android Apps (2014) Keynote Competitive Research

Diversity

2nd Top Company
For Lesbian, Gay, Bisexual, and Transgender Employees (LGBT) (2014) *DiversityInc*

6th Best Company
For Executive Women (2013) *DiversityInc*

8th Top Company
For Veterans (2014) *DiversityInc*

9th Best Company
For Diversity (2014) *Hispanic Business*

17th Top Company
For Diversity (2014) *DiversityInc*

18th Best Company
For Latinas (2014) *LATINA Style*

Social responsibility

#1
Largest national workplace employee giving campaign for sixth consecutive year, based on 2014 donations (U.S.) United Way Worldwide

#2
Most Generous Cash Donor (U.S.) (2013) *The Chronicle of Philanthropy*

100 Best Corporate Citizens (2014) *Corporate Responsibility Magazine*

Perfect Score – 100
Corporate Equality Index (2014, 11th year)
Human Rights Campaign

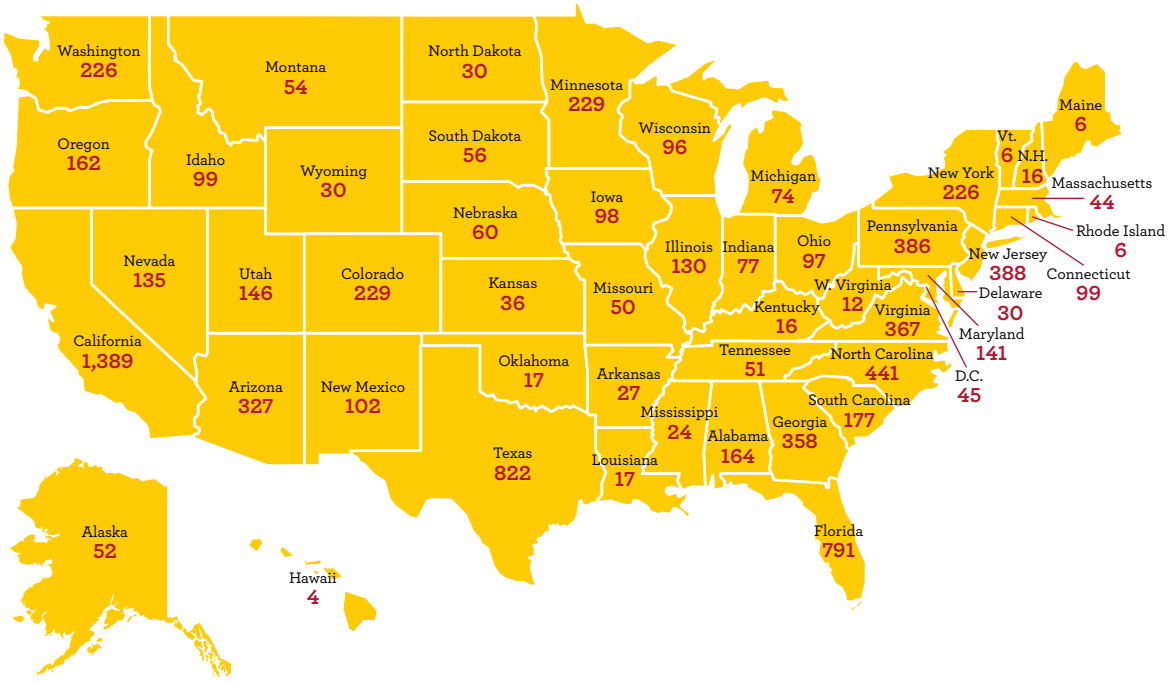
1 Based on sales, profits, assets, and market value.

2 Wells Fargo was the highest-rated bank brand in the world with a 2014 valuation of more than $54 billion, up 14 percent from 2013. Across all industries, Wells Fargo was among the top 20 brands in the world.

Wells Fargo's extensive network

Around the world

Argentina
Australia
Bahamas
Bangladesh
Brazil
Canada
Cayman Islands
Chile
China
Colombia
Dominican Republic
Ecuador
France
Germany
Hong Kong
India
Indonesia
Ireland
Israel
Italy
Japan
Korea
Malaysia
Mexico
Philippines
Russia
Singapore
South Africa
Spain
Taiwan
Thailand
Turkey
United Arab Emirates
United Kingdom
Vietnam



* *Numbers on map represent domestic stores*

Locations*
More than 8,700

ATMs
More than 12,500

Customers
70 million

wellsfargo.com
More than 25 million active online customers

Mobile banking
More than 14 million active mobile customers

Wells Fargo Customer Connection
430 million customer contacts annually

An industry leader

In supporting homeowners and consumers

#1
Retail mortgage lender (2014) *Inside Mortgage Finance*

#1
Home loan originator to minority and low- to moderate-income borrowers, and in low- to moderate-income neighborhoods (2013) HMDA data

#1
Mortgage servicer (2014) *Inside Mortgage Finance*

#1
Overall auto lender (Jan. 2014 – Dec. 2014 excluding leases) AutoCount

#1
Used auto lender (Jan. 2014 – Dec. 2014 excluding leases) AutoCount

#1
Provider of private student loans among banks (Jan. 2014 – Dec. 2014) Company and competitor reports

#2
Provider of student loans overall (Jan. 2014 – Dec. 2014) Company and competitor reports

In helping small businesses

#1
Small business lender (U.S., in dollars, 2013) Community Reinvestment Act government data

#1
SBA 7(a) lender in dollars (2014) Small Business Administration federal fiscal year-end data

In insurance

#1
Nation's largest crop insurance provider (2013) Risk Management Agency, a division of the USDA

Best Insurance Broker in the U.S. (2014) *Global Finance* magazine

#6
Provider of Health Savings Accounts (HSA) in U.S. (2014) Devenir

In commercial banking

#1
Share of lead banking relationships with middle-market companies (2013) *TNS Commercial Banking Momentum Monitor*

In commercial and residential real estate

#1
Winner of Global PERE Awards North American Debt Provider of the Year (2013) *Private Equity International*

#1
In total commercial real estate originations in the U.S. (2013) MBA Commercial/Multifamily Mortgage Origination Rankings

#1
Largest servicing portfolio of commercial real estate loans in the U.S. (Mid-year 2014) MBA Commercial/Multifamily Mortgage Servicer Rankings

#3
Affordable housing lender (2013) *Affordable Housing Finance*

In wealth, brokerage and retirement

#2 in U.S.
Annuity sales (2014) Transamerica Roundtable Survey

#3 in U.S.
Full-service retail brokerage provider, (4Q14) Company and competitor reports

#4 in U.S.
Wealth management provider, assets under management of accounts greater than $5 million (2014) *Barron's*

#6 in U.S.
IRA provider (3Q14) Cerulli Associates

#8 in U.S.
Institutional retirement plan record keeper, based on assets as of 12/31/13 (2014) *PLANSPONSOR* magazine

#9 internationally
Family wealth provider (2014) *Bloomberg*

Wells Fargo & Company
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San Francisco, California 94104
1-866-878-5865 wellsfargo.com

Our Vision:

Satisfy all our customers' financial needs and help them succeed financially.

Nuestra visión:

Satisfacer todas las necesidades financieras de nuestros clientes y ayudarles a alcanzar el éxito financiero.

我們的願景：

滿足我們所有客戶的財務需求, 並協助他們取得財務上的成功。

Notre Vision:

Répondre à tous les besoins financiers de nos clients et les aider à obtenir du succès financièrement.

MIX
Paper from responsible sources
FSC® C015197

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CCM7043 (Rev 00, 1/each)

Together we'll go far